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THE ECONOMY 1992

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Honourable Winston Baker
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Preface

The Economy is an annual publication which provides a review of economic performance in Newfoundland and Labrador during the previous year and an economic outlook for the current year. Readers who require only a brief overview of key economic indicators are referred to the summaries at the beginning of this report and also to the "Overview of Provincial Economic Conditions".

The research, writing and co-ordination of *The Economy* is carried out over a period of several weeks. While every effort is made to include only the most up-to-date information available, in some instances data contained in tables, diagrams and analyses will have been revised between the time of writing and the date of release. As well, data used in this publication may be inconsistent with data provided in past publications due to revisions.

The Economic Research and Analysis Division would like to thank George Courage and the staff of the Newfoundland Statistics Agency for their assistance. As well, special thanks is extended to Gary McManus of the Memorial University of Newfoundland Cartographic Laboratory (MUNCL); and to David C.B. Dawe, the Queen's Printer and the staff of Printing and Micrographic Services Division for the cheerful and patient cooperation which they always demonstrate throughout the printing process. We would also like to acknowledge the important contributions made by Michael Clair, Department of Development and the Economic Recovery Commission and we are grateful to the Canada-Newfoundland Offshore Petroleum Board for providing us with the Hibernia production facility graphics in the "Oil and Gas" discussion. *The Economy 1992*, like previous editions, has also been considerably enhanced by the excellent suggestions and willing contributions of a number of individuals from both the public and private sectors.

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GRAPHICAL STATISTICAL INDICATORS

1982-1991

NEWFOUNDLAND AND LABRADOR

Diagram 1

Diagram 2

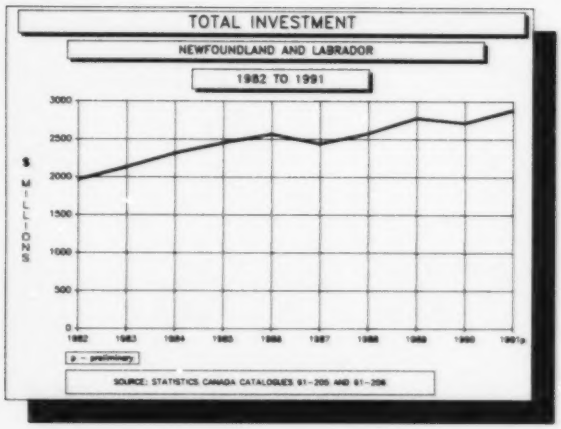
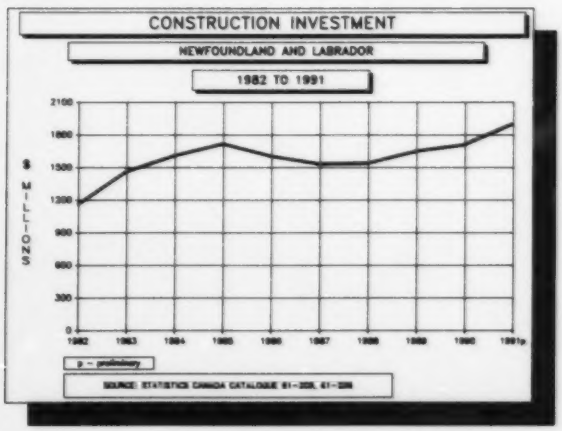


Diagram 3



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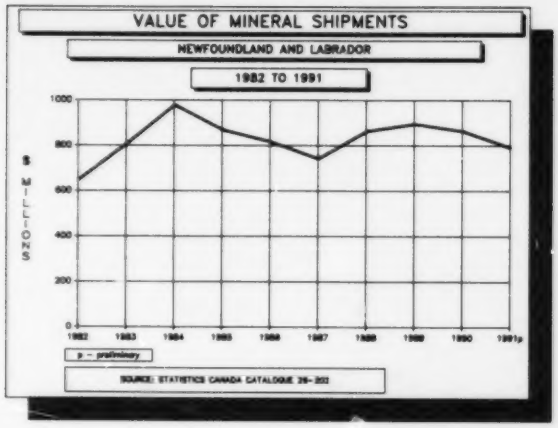


Diagram 5

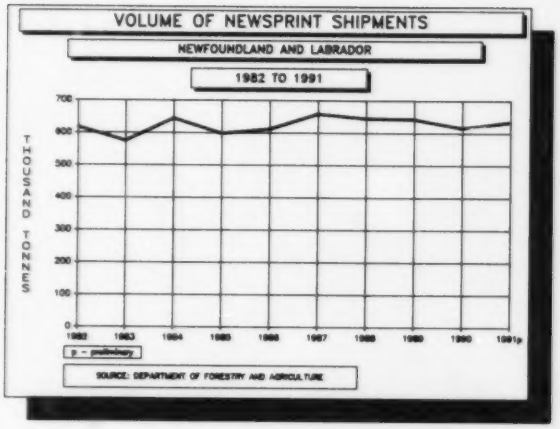


Diagram 6

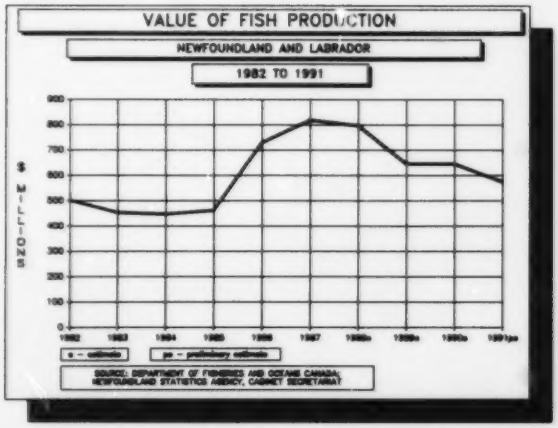


Diagram 7

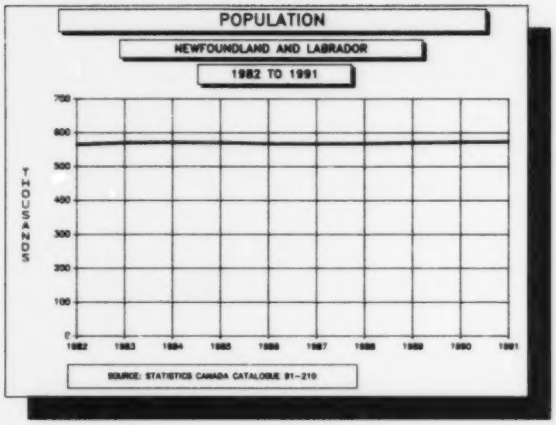


Diagram 8

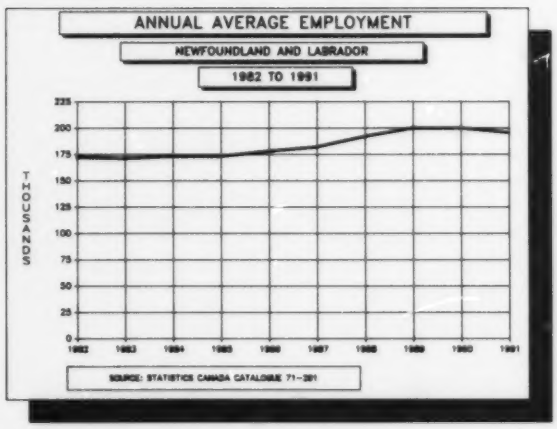


Diagram 9

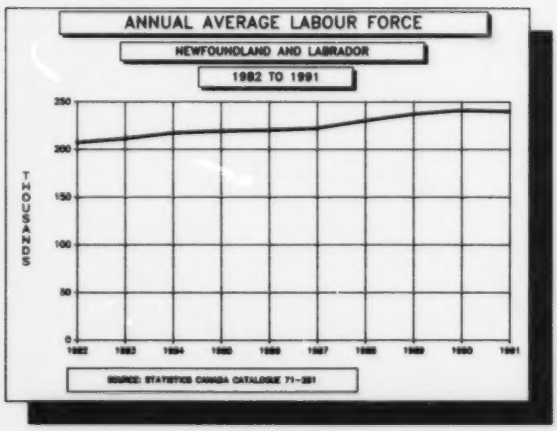


Diagram 10

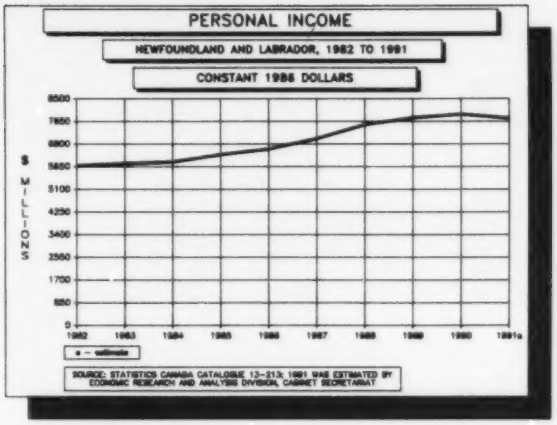

PERSONAL INCOME
NEWFOUNDLAND AND LABRADOR, 1982 TO 1991
CONSTANT 1986 DOLLARS
$ MILLIONS
e - estimate
SOURCE: STATISTICS CANADA CATALOGUE 13-213; 1991 WAS ESTIMATED BY ECONOMIC RESEARCH AND ANALYSIS DIVISION, CABINET SECRETARIAT

Diagram 11

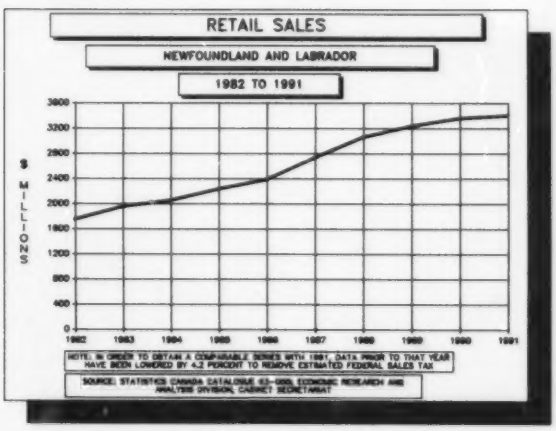
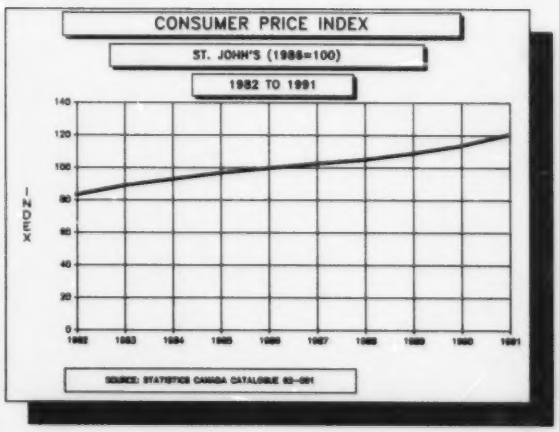

RETAIL SALES
NEWFOUNDLAND AND LABRADOR
1982 TO 1991
$ MILLIONS
NOTE: IN ORDER TO OBTAIN A COMPARABLE SERIES WITH 1991, DATA PRIOR TO THAT YEAR HAVE BEEN LOWERED BY 4.2 PERCENT TO REMOVE ESTIMATED FEDERAL SALES TAX
SOURCE: STATISTICS CANADA CATALOGUE 63-005, ECONOMIC RESEARCH AND ANALYSIS DIVISION, CABINET SECRETARIAT

Diagram 12



SUMMARY OF 1991

International and Canadian:

- Among the seven major industrialized countries, three posted a decline in real GDP.
- Canadian interest rates declined while the dollar continued to appreciate.

Newfoundland and Labrador:

- Real GDP fell by an estimated 0.5 percent as the recession continued.
- The inflation rate, at 6.1 percent, was higher than in 1990.
- Personal income growth of 4.1 percent was eroded by inflation resulting in a real decline of 1.9 percent.
- The real value of retail sales fell by an estimated 3 percent.
- Fish landings fell by 24 percent due to low groundfish quota utilization rates and reduced capelin landings.
- Newsprint shipments increased by 0.9 percent while value fell 3.7 percent.
- Total value of mineral shipments declined by 8.2 percent.
- Hibernia was a major contributor to Provincial economic activity.
- Activity in some segments of the construction industry was boosted by expenditures from the Hibernia project.
- Housing starts fell by 12.6 percent.
- Tourism was affected by the recession: both the number of tourist trips and expenditures declined.
- The effects of the recession were evident in labour markets; employment fell by 4,000 and the unemployment rate rose by 1.3 percentage points to 18.4 percent.
- An increase of 0.8 percent in full-year employment was not enough to offset a 6.0 percent decline in part-year employment.

OUTLOOK FOR 1992

International and Canadian:

- Slow economic growth is generally expected in the major industrialized countries.
- Canadian interest rates, inflation and the dollar are expected to be lower than in 1991.

Newfoundland and Labrador:

- Recession is expected to continue; real GDP is forecast to decline by 0.5 percent.
- The rate of inflation is forecast to be about 1.8 percent, the lowest in 21 years.
- Retail trade is expected to continue to be weak: the real value of sales is forecast to decrease slightly.
- Fish landings are expected to fall, reflecting quota reductions designed to rebuild the fish stocks.
- Newsprint shipments are expected to be down slightly due to weak markets.
- Total value of mineral shipments is forecast to decline slightly.
- Development of a new gold mine on the Baie Verte Peninsula could begin in 1992, and the Hope Brook Gold Mine could reopen this year.
- The Hibernia project will remain an important contributor to the Province's economy despite the slowdown in the planned rate of expenditure.
- Activity in the construction industry is expected to be about the same as last year.
- Housing starts are expected to increase slightly due to low mortgage rates, reduced downpayment requirements and RRSP initiatives.
- Tourist activity is expected to remain at 1991 levels: an anticipated increase in non-resident travel will offset an expected decline in resident tourist activity.
- Labour market conditions are not expected to improve. Further declines in employment are projected and this is expected to push the unemployment rate higher.

The International and Canadian Economies

Last year was the first year in post-war history that world economic output actually declined. The 1991 decline was concentrated in both the United States and in the formerly centrally planned economies of Eastern Europe and the Soviet Union where the demise of communism has yet to be followed by the ascendence of a fully functioning market system. Among the major industrialized countries (G-7), three posted a decline in real Gross Domestic Product (GDP) in 1991: the United States (-0.7 percent), the United Kingdom (-2.1 percent), and Canada (-1.5 percent). The recession in these three countries was largely related to the pursuit of anti-inflationary monetary policy and the resultant high interest rates.

Monetary conditions eased in 1991 in response to economic weakness and a lessening of inflation pressure. Interest rates declined and this played a role in starting economic recovery. As a result, world economic growth is expected to resume in 1992 with all G-7 member countries experiencing real GDP growth. Another year of declining output is likely, however, in Eastern Europe and the Soviet Union.

Table 1

REAL ECONOMIC GROWTH RATES IN THE G-7 COUNTRIES

	1987 Share in Total G-7	1990	1991e	1992f
United States	41.8	1.0	-0.7	1.6
Japan	22.4	5.3	4.2	2.7
Germany	10.3	4.7	3.3	1.5
France	8.2	2.8	1.2	1.9
Italy	7.0	1.9	1.8	2.4
United Kingdom	6.4	1.0	-2.1	1.5
Canada	3.9	0.5	-1.5	2.0
G-7	**100.0**	**2.5**	**1.0**	**1.9**

e: estimate; f: forecast

Source: Various, available on request.

Forecasts for economic growth among the G-7 members in 1992 (see Table 1) put Japan in the lead with an expected growth rate of 2.7 percent. Real GDP in Canada is expected to grow by 2.0 percent, about the same as the G-7 average of 1.9 percent. Canada's forecast economic growth is lower than normal for a recovery.

Real GDP in the United States declined by 0.7 percent in 1991. This decline is attributable to the recession which caused output to fall in both the fourth quarter of 1990 and the first quarter of 1991. The decline in output caused the unemployment rate to rise to an average of 6.8 percent in 1991 compared to 5.5 percent in 1990. The American recession was brought on by a combination of factors including a relatively tight monetary policy and financial difficulties faced by some lending institutions. This was exacerbated by the war in the Gulf which sparked a rise in oil prices and prompted sharp declines in business and consumer confidence.

While recovery in the United States is believed to have begun in the second or third quarter of 1991, the recovery itself has been weak by historical standards. In the fourth quarter of 1991, for example, the economy grew at a rate of only 0.3 percent. Real economic growth in 1992 is projected to be only about 1.6 percent. Factors which are expected to dampen economic growth in this recovery include high levels of consumer debt and low savings; slow growth in income due to weak employment growth; restrictive lending practices by some financial institutions; and low consumer and business confidence. Industry rationalization has generally contributed to an anemic pace of job creation in both the U.S. and Canada, limiting growth in personal income and thus consumer spending.

In an effort to encourage recovery, the Federal Reserve (the U.S. central bank) has eased monetary policy and allowed interest rates to fall. The prime rate in the United States fell from 10.00 percent at the end of 1990 to 6.50 percent at the end of 1991. In 1992, interest rates may decline further until about mid-year; in the second half, short-term interest rates are likely to increase somewhat.

Real Gross Domestic Product (GDP) in Canada declined by about 1.5 percent in 1991 following sluggish growth of only 0.5 percent in 1990. The decline resulted from the recession which began in the second quarter of 1990. An economic recovery appeared to be in place after January 1991, however, economic activity declined again from July to December. This recession was induced primarily by a restrictive monetary policy which caused higher interest rates and an appreciation of the Canadian dollar. The economic downturn in the United States, which began after the Canadian recession, dampened export performance. Also, the imposition of the Goods and Services Tax (GST) in January 1991 caused a jump in consumer prices of about 1.6 percent. This reduced household income and wealth in real terms and contributed to a reduction in consumer spending.

The job losses associated with the recession were reflected in a 1.8 percent decline in employment in 1991. Losses of employment and moderate growth in

the size of the labour force combined to push the unemployment rate to 10.3 percent, an increase of 2.2 percentage points over 1990.

The largest decline in output during 1991 was witnessed in the manufacturing industry. Real GDP was 6.4 percent lower than a year earlier. This decline is attributed to a number of factors including the appreciation of the Canadian dollar which weakened the competitive position of Canadian manufacturers in export markets; high real interest rates which raise the cost of capital; the recession in the United States which has constrained demand for Canadian exports, especially in the automobile sector; and Canada's unit labour costs (i.e., labour costs per unit of output) which have increased more rapidly than in the United States. The decline in manufacturing activity began around January 1989 and was a key factor contributing to the recession.

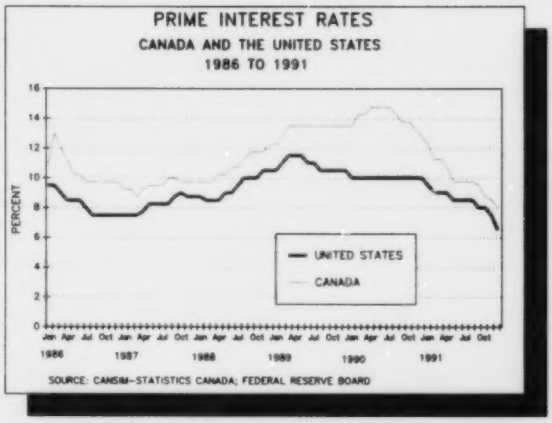
The retail trade industry is another industry which has suffered a severe downturn. The recession took its toll on consumer spending as did the implementation of the GST and cross border shopping. Retail trade statistics for 1991 indicate a decline of 2.5 percent at the national level (about 6.1 percent in real terms).

The Bank of Canada has continued to pursue a monetary policy aimed at reducing inflation to near zero. The Bank and the Federal Government jointly announced specific targets for inflation last year: three percent by the end of 1992 and two percent by the end of 1995. These targets should be met in the short term given that the recession has helped keep downward pressure on prices. Most forecasters believe the inflation targets can be realized though some believe it may require another period of monetary stringency prior to 1995. The targets could be more easily met if they win credibility with business and labour as the Federal Government hopes.

The Consumer Price Index (CPI) increased by 5.6 percent in 1991 compared to 4.8 percent in 1990. The Goods and Services Tax (GST) and increases in other indirect taxes boosted the inflation rate in 1991. The Bank of Canada has estimated that 2.4 percentage points of October's 4.4 percent inflation rate was due to higher indirect taxes, such as the GST.

Interest rates have declined in response to weak economic conditions in Canada. The prime rate peaked at 14.75 percent in mid-1990 but declined to 8.00 percent by the end of 1991 (see Diagram 1). This was the lowest prime rate since 1973. Lower interest rates helped bring about the start of recovery in 1991 and will contribute further to economic growth in 1992.

Diagram 1



The Canadian dollar continued to appreciate during 1991. Against an index of 10 major currencies, the dollar was 1.5 percent higher in December 1991 than it was a year earlier. The dollar appreciated slightly against the U.S. dollar and averaged U.S.$0.8728 in December. The dollar appreciated by

Diagram 2

5.9 percent against the German mark, 6.8 percent against the British pound, but depreciated by 3.1 percent against the Japanese yen. The overall strength of the dollar is believed to reflect relatively high interest rates in Canada which attract capital from abroad. The dollar's strength has persisted despite a narrowing of short-term interest rate differentials with the United States (see Diagram 2). This largely reflects the increased confidence of foreign investors in the Bank of Canada's anti-inflation policy and their belief that the Canadian dollar will remain strong, making it a good currency for investors to hold. As well, foreign borrowing demands by Canadian governments have kept upward pressure on the dollar. While the Canadian dollar has been quite strong in

recent years, it is viewed by some analysts as overvalued and is expected to depreciate somewhat during the next few years.

Forecasts of Canada's economic performance in 1992 imply a slower than normal recovery from the recession. Real GDP is expected to grow by about 2.0 percent. This weakness reflects a number of factors: the weak recovery in the United States, low consumer and business confidence, low corporate profits (which discourages business investment and new hiring), and the high value of the Canadian dollar. Growth in 1992 will be largely propelled by a rebound in residential construction and consumer spending on durable goods as well as moderate growth in merchandise exports.

Interest rates are expected to decline slightly from the levels reached at the end of 1991, however, the size of the decline is not expected to be nearly as large as last year. Lower rates of inflation will be a key factor enabling low interest rates. Forecasts indicate that Canada will have one of the lowest inflation rates (about 2.3 percent in the CPI) among the G-7 group of countries in 1992. If a sharp depreciation of the Canadian dollar occurs, however, it may be resisted by the Bank of Canada with higher interest rates. This presents some upside risk to the interest rate outlook for 1992.

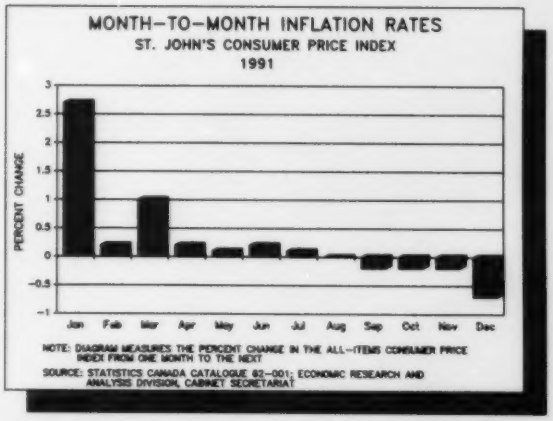
Labour market performance in Canada is expected to improve slightly in 1992. Employment is expected to increase modestly but any decline in the unemployment rate will likely be negligible as more people enter the labour force.

Overview of Provincial Economic Conditions

Economic activity in the Province during 1991 was constrained by a number of factors. The inability of the deep sea fleet to catch its offshore quotas and the lower landings among the inshore sector reduced the manufacture of fish products. The mining and newsprint industries were adversely affected by the recessions in Canada and the United States and increased competition in export markets. As well, the Canadian dollar continued to appreciate, further affecting the value of the Province's exports. These factors, together with spending restraint at both the Federal and Provincial levels of Government, the introduction of the GST and relatively high inflation caused both consumers and business to be more cautious in their spending decisions. Employment was lower last year and this, combined with the failure of average weekly wages to keep pace with inflation, resulted in a reduction in real personal income. The main offset to negatives elsewhere in the economy was the investment and employment generated by the Hibernia project during the year.

The rate of inflation in St. John's, as measured by the Consumer Price Index (CPI), was 6.1 percent in 1991; this was the highest inflation rate since 1983 when it reached 6.8 percent. Price increases were recorded during the year for all major categories of commodities covered by the CPI. The largest increases in prices were found in clothing; health and personal care; tobacco products and alcoholic beverages, and energy; prices for items in all of these categories rose more than the overall price level.

Diagram 3



All of the increase in prices in 1991 essentially occurred in the first half of the year. In fact, as Diagram 3 shows, most of the escalation in the price level for the year was due to increases recorded in the first quarter. On a month-to-month basis, prices actually fell throughout the last half of 1991, largely the result of recessionary pressure and associated low consumer spending. By December the CPI was only 0.3 percent higher than the January 1991 index and 3.0 percent higher than December 1990. A major factor which contributed to the increase in prices last year was the introduction of the GST. In January the GST replaced the Federal Sales Tax, a move which reduced the prices of some items and raised the prices of others. The net effect of the GST was to increase the overall consumer price level. It is estimated that the GST boosted consumer prices by 1.6 percent at the national level in 1991.

Personal income, which measures the total income accruing to all individuals residing in the Province, was estimated at $9.5 billion in 1991, an increase of 4.1 percent over 1990. This growth in income, however, was eroded by inflation and as a

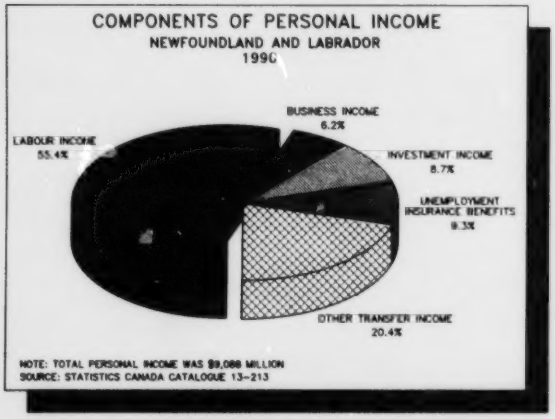
result real personal income declined by 1.9 percent. The amount of personal income within the Province is a major determinant of the level of economic activity.

Personal income was estimated at $9.5 billion in 1991

Personal income has the following components: labour income, business income, investment income and unemployment insurance benefits and other types of transfer income. The relative importance of these components to total personal income in 1990 is illustrated in Diagram 4.

Labour income consists mainly of total wages and salaries received by workers in the Province. The level of total wages and salaries in the Province is primarily determined by the number and types of jobs, the duration of these jobs and the rates of pay. In the past, total employment and total real labour income have generally moved in the same direction.

Diagram 4



Transfer payments to individuals represent the second largest component of personal income in the Province. Some components of transfer income, such as family allowances and old age security payments, are primarily related to demographic and social factors, while others, such as unemployment insurance benefits, are related to employment and the level of economic activity.

Many residents of the Province derive a large part of their income from ownership of business property. The business income component of personal income includes the net income of unincorporated businesses, including rental income, as well as the net income of farm operators from farm production. Unincorporated business income includes the earnings of self-employed fishermen and professional practitioners such as doctors and dentists as well as the earnings of most small business.

Investment income is generated by the accumulated savings of households that are held in the form of financial assets. Investment income is comprised of the interest and dividend payments generated by these financial assets.

Personal income by component from 1985 to 1991 is contained in Table 2. As this table shows, income growth was strong in the late 1980s. Real personal income growth peaked in 1988 at 7.4 percent before slowing in the two years that immediately followed. In 1991 weaker income growth in a number of key components, combined with higher inflation, resulted in a decline in real personal income. Losses in the real value of labour and investment income were major factors behind the overall drop in personal income. Lower labour income reflected the impact of the recession on Provincial labour markets while reduced investment income was due to lower interest rates.

Growth in labour income was the largest contributor to personal income growth throughout the late 1980s. Movement in this component of income reflected the growth in employment experienced over this period and the ability of wages and salaries to keep pace with moderate inflation. A decline in employment last year, however, combined with higher inflation, resulted in a decline in real labour income.

Labour income in 1991 is estimated to have fallen by 3.3 percent in real terms. By sector, real wages in the goods and service producing industries fell by 6.0 and 3.4 percent respectively, in the first ten months of 1991. While declines were experienced throughout most goods producing industries, lower income in the manufacturing industry was the major contributor to the overall decline in the goods producing sector, a reflection of the crisis in the fishing industry and the impact of that crisis on fish processing employment. In the service sector, the largest declines were found in the trade, and community, business and personal service (CBPS) industries; these declines were consistent with the downturn in retail trade and lower employment levels in education, accommodation and food, and personal service. The real value of average weekly earnings also declined in 1991, though not to the same extent as total wages and salaries. From January to October last year average weekly earnings were $511, down 0.8

percent in real terms (up by 5.8 percent in nominal terms).

The second largest contributor to personal income growth over the past decade has been transfer income. Between 1985 and 1991 transfer income grew by 7.8 percent on an annual average basis. Some of the growth in transfer income was attributed to automatic inflation indexing of Federal programs while other increases were due to a heightened utilization of some social programs. For example, Unemployment Insurance (UI) benefits grew at an annual average rate of over 10 percent between 1985 and 1991. Some of the strongest increases in UI benefits over this period occurred between 1985 and 1989, a time of strong growth in part-year employment. In 1990, a decline in part-year employment and an increase in full-year employment contributed to weaker growth in UI benefits (the number of beneficiaries actually declined in 1990). As well, it is believed that delays in the passing and implementation of new UI legislation kept the average number of beneficiaries artificially low in 1990.

Table 2

PERSONAL INCOME BY COMPONENT ($ millions)
NEWFOUNDLAND AND LABRADOR

	1985	1986	1987	1988	1989	1990	1991e
Personal Income	6,269	6,663	7,264	7,982	8,562	9,088	9,461
% Change	n.a.	6.3	9.0	9.9	7.3	6.1	4.1
% Change (Real)	n.a.	3.2	5.9	7.4	3.4	1.8	-1.9
% Share	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Labour Income	3,571	3,746	4,115	4,496	4,813	5,039	5,170
% Change	n.a.	4.9	9.9	9.3	7.1	4.7	2.6
% Share	57.0	56.2	56.6	56.3	56.2	55.4	54.7
Business Income	403	455	517	546	549	562	584
% Change	5.5	12.9	13.6	5.6	0.5	2.4	3.9
% Share	6.4	6.8	7.1	6.8	6.4	6.2	6.2
Interest, Dividends and Miscellaneous Investment Income	434	474	483	562	688	793	780
% Change	9.9	9.2	1.9	16.4	22.4	15.3	-1.6
% Share	6.9	7.1	6.6	7.0	8.0	8.7	8.2
Unemployment Insurance Benefits	548	607	647	747	818	844	984
% Change	11.2	10.8	6.6	15.5	9.5	3.2	16.6
% Share	8.7	9.1	8.9	9.4	9.6	9.3	10.4
Other Transfer Income	1,313	1,381	1,502	1,631	1,694	1,850	1,941
% Change	6.8	5.2	8.8	8.6	3.9	9.2	4.9
% Share	20.9	20.7	20.7	20.4	19.8	20.4	20.5

e : estimate; n.a. : not applicable

(1) Labour income includes: wages and salaries, supplementary labour income and military pay and allowances.
(2) Business income consists of net income of farm operators from farm production and net income of unincorporated businesses including rent.
(3) Other transfer income is mainly comprised of payments from governments to individuals in the form of family and youth allowances, old age security payments, etc.
(4) Data for 1991 was estimated by Economic Research and Analysis Division, Cabinet Secretariat.
(5) The wages and salaries series running from 1985 to the present is not comparable with 1984 data.
(6) Figures for 1991 may not add to the total because they have been estimated from growth rates.

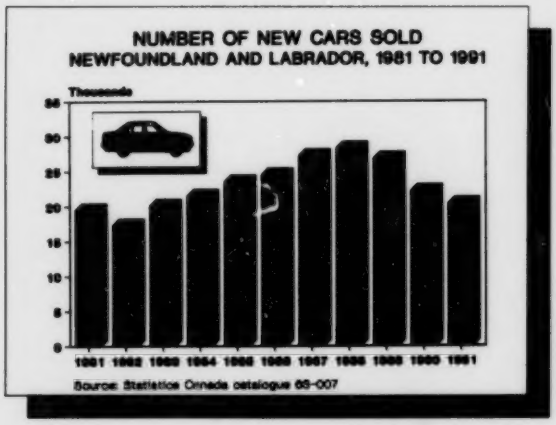
Source: Statistics Canada catalogue 13-213; Economic Research and Analysis Division, Cabinet Secretariat.

Unemployment Insurance benefits paid to individuals in the Province are estimated at $984 million in 1991, an increase of 16.6 percent (9.8 percent in real terms) from the previous year. A monthly average of 79,590 people collected UI in the Province during the first eleven months of the year, an increase of 9.1 percent over the same period in 1990. Unlike the late 1980s, when growth in UI dependency was due almost entirely to growth in part-year employment, growth in the number of people collecting UI last year reflected poor labour market conditions: employment fell by 4,000 in 1991. For a discussion of the UI program and part-year employment, readers are referred to the *Labour Markets* section of this publication.

Consumer spending within the Province makes a significant contribution to the local economy. This is because the purchase of goods and services in the Province generates income and employment for local producers, distributors and merchants. The final contribution of expenditures to the domestic economy varies with the degree to which the items purchased are produced locally.

Real consumer spending was weaker in 1991 than in the previous year. The retail trade industry is a major beneficiary of consumer spending. The value of retail sales in the Province during 1991 (after adjusting for federal sales tax changes) fell by about 3.0 percent in real terms; this compared to an estimated decline of over six percent at the national level. Despite lower sales activity, the Newfoundland retail industry out-performed most other provinces during 1991. In fact, before adjusting for inflation, Newfoundland and British Columbia were the only provinces to record an increase in sales.

Diagram 5



New motor vehicle sales account for a major portion of retail sales in the Province. Car sales are cyclical in nature and are influenced to a large extent by the level of income and consumer confidence in the economy and by interest rates. Diagram 5 provides an historical look at Provincial car sales. As the diagram shows, the automobile industry was hard hit during the 1981/82 recession. Car sales bottomed out in 1982 at 17,358 and then increased steadily until they peaked in 1988, a year of strong growth in personal income and low inflation. In 1989 car sales fell in this Province as well as at the national level. This marked the beginning of the downturn that is currently being experienced in the automobile industry. Despite the low interest rates last year, sales continued to decline in the Province, and to a lesser extent, at the national level. The number of new cars sold in the Province during 1991 declined by 8.2 percent while value fell by 12.7 percent. After adjusting for federal taxation changes and inflation, however, the real value of car sales in 1991 was 5.2 percent lower than in 1990.

Consumption expenditures on restaurant and takeout food, which are also part of consumer spending, declined last year. Restaurant, takeout and tavern receipts totalled $153.4 million during the first ten months, down 1.5 percent from same period in 1990.

The Province's manufacturing industry can be divided into three major groups: fish products; pulp and paper products; and other resource and non-resource manufacturing. In 1990 this industry accounted for 30.5 percent of GDP in the goods producing sector and 8.9 percent of total GDP (see Table 2.1 in *Appendix 2*). The manufacture of fish products and pulp and paper is linked to the Province's primary resource industries. The majority of inputs into these production processes are produced locally and this generates substantial indirect benefits within the Province in terms of employment and incomes. Virtually all fish products and newsprint produced in the Province are exported while other resource and non-resource manufactured products are sold in both local and export markets. Manufacturing offers significant potential for future economic growth. A boxed discussion concerning growth opportunities in non-resource based manufacturing is contained in this section.

The manufacturing industry was negatively affected last year by recessions in Canada and in the United States and by a number of other factors. As a result, the total value of manufacturing shipments fell by 2.6 percent during the year. In the fishing industry, problems in the harvesting sector constrained the manufacture of fish products. The volume of newsprint shipments in the Province increased by 0.9 percent but lower prices caused value to decline by 3.7 percent. Performances at the Marystown Shipyard

Map 1

SELECTED
MANUFACTURING LOCATIONS
IN NEWFOUNDLAND AND LABRADOR
LABRADOR
0 150
Kilometres
Labrador City
Happy Valley-
Goose Bay
Wabush
Pinware
Food Industry
Beverage Industries
Plastic Products Industry
Leather and Allied Products Industries
Textile Products Industries
Clothing Industries
Wood Industries
Furniture and Fixture Industries
Paper and Allied Products Industries
Printing, Publishing and Allied Industries
Fabricated Metal Products Industries
Transportation Equipment Industries
Electrical and Electronic Products Industries
Non-Metallic Mineral Products
Refined Petroleum Products
Chemical and Chemical Products Industries
Other Manufacturing Industries
NEWFOUNDLAND
Nipper's Harbour
Springdale
Pasadena
Corner Brook
Grand Falls
Stephenville
Glenwood
Eastport
Glovertown
Trinity
English Harbour
Port Blandford
Milton
Nut Cove
Harbour Grace
Clarenville
Carbonear
Conne River
Come-by-Chance
Bay Roberts
Coley's Point
St. John's
Brigus
Marystown
Burin
Paradise
Mount Pearl
0 50 100
Kilometres
Source: Government of Newfoundland and Labrador
MUNCL

Non-Resource Manufacturing in Newfoundland and Labrador

A St. John's manufacturer has customers worldwide for its water-activated emergency lights for life vests.

Newfoundland-made ice cream is being sold at the Skydome Hotel in Toronto.

One of the largest manufacturers of boots in Canada is located in Harbour Grace, quality gloves are manufactured in Point Leamington, automotive anti-freeze is produced in Lewisporte and hockey sticks are manufactured in Pasadena.

After years in relative obscurity, non-resource based manufacturing is emerging as one of the more exciting sectors of the Provincial economy and has been identified as a *New Opportunity for Growth* in an upcoming report of the same name by the Province's Economic Recovery Commission.

The sector consists of non-resource based manufacturers (i.e., excludes mining operations, fish processing, pulp and paper and sawmilling) whose operations add value to raw materials and products sold in local and/or export markets. Manufacturing offers Newfoundland and Labrador the opportunity to diversify both its industrial base and its export markets.

The Department of Development has estimated that a total of 694 manufacturers now operate in the Province. Of these, a little more than half (383) are manufacturers of non-resource based products. The manufacturing sector, excluding fish and newsprint, accounted for an estimated 3.4 percent of total GDP during 1989 and some 6,500 person years of employment according to *The Economy 1991*. While there are several large corporations included within this category, the bulk of output is produced by 380 small manufacturers.

Newfoundland manufacturers have developed a particular niche of production. They are generally not involved in mass production, as is often the case in areas of low wages, for example. Nor is there much work in prototype manufacturing, the production of "one-off" items for very specific applications. They are generally not involved in heavy industrial work either because of the Province's distance from major users. Instead, Newfoundland's manufacturing activity centers around small batch production, that is, small orders in the range of 100 to 10,000 units per order. These orders are usually for commercial markets, consumers, and increasingly, for defence related work.

The vast majority of Newfoundland manufacturers produce goods for the local market. Approximately 30 manufacturers, however, are now engaged in the national or international export trade (see the ERC discussion paper, *List of Export Manufacturers in Newfoundland & Labrador*). These exporters produce a surprisingly diverse range of products including footwear and clothing, food and beverages, paint, plastics, and a range of electrical, electronic and software products.

These export manufacturers can be further separated into two distinct groups or types. One group began by supplying the local market and then sought further growth and production efficiencies through developing export markets. In very recent years a different type of manufacturer has emerged whose target market has been global from the outset. These companies are generally in the advanced technology business where product development is often stimulated by a local need but requires a much wider market to justify commercial production. They have a high revenue generation capability and add innovation to their process to produce end products with a

very high value. This sector has experienced significant growth in Newfoundland in the last eight to ten years.

Manufacturing offers opportunities in job creation, income generation and technology transfer. Newfoundland, with its history of trading in primary resources, is well-positioned to develop a dynamic manufacturing industry.

Old myths about this Province's "geographic isolation" are being put to rest since many of the components involved in electrical, computer and technical products are small and easily transportable. The cost of moving the item is inconsequential in comparison to the value of the product itself.

Growth in the industry can be realized both by increasing exports from the Province and through import substitution. Exports represent the greatest potential for growth since the market is unlimited. The continuing trend to worldwide reductions in trade barriers has helped make exports the major area of new opportunity for the Province's non-resource based manufacturing industry.

While the local market is quite small, Newfoundland manufacturers presently have such a small share of it compared to outside firms that import substitution represents another very significant growth opportunity for Newfoundland firms. In addition, opportunities in import substitution can help exporting firms by adding to their credibility and assurance when approaching external markets.

There are two immediate goals for development of this sector. The first is to accelerate the growth of manufacturing through increased exports to national and international markets, and through increased import substitution of purchases made by major companies and Government in the Province. The second is to attract medium to large-scale export manufacturing companies to locate in the Province by improving the Province's competitive position and promoting its quality of life, unique culture, majestic landscape and pristine environment.

The capability of Newfoundland manufacturers to competitively supply many of the products which are purchased by our major firms, governments and institutions is not well understood. Both the industry and purchasers concede that more must be done to promote the industry and its capabilities. The recent formation of the Newfoundland Manufacturer's Association and its *Manufactured Right Here* awareness campaign is one such initiative. Already the Association, with assistance from the Economic Recovery Commission, has recruited about 60 manufacturers into the program, and is enjoying high public visibility thanks to widespread support from the Provincial print media.

The provision of highly skilled and knowledgeable workers is viewed as a major, if not the major, incentive for companies to locate in an area. Although Newfoundland has an abundant supply of inexpensive and talented workers, there is now no training related specifically to manufacturing technologies. A start toward developing such programs, including training in quality assurance, has recently been made as a result of the efforts undertaken by industry associations and related agencies.

Recommendations addressing these and other key factors affecting manufacturing in Newfoundland and Labrador will be contained in the *New Opportunities for Growth* report of the Economic Recovery Commission.

Contributed by:

Economic Recovery Commission

and the Newfoundland Dockyard, as well as at the Come By Chance Refinery, were also hampered in 1991. In addition, the decline in the level of real personal income in 1991 is believed to have affected local consumption of other types of manufactured products in the Province.

Investment in the Province was higher in 1991 than in the previous year according to the latest survey of investment spending conducted by Statistics Canada. Estimates produced from this survey placed investment expenditures for 1991 at $2.9 billion, an increase of 6.2 percent over the previous year. An increase in spending on construction investment of 11.1 percent more than offset a 2.1 percent decline in machinery and equipment purchases. Most of the increase in investment which occurred last year was directly related to expenditures associated with Hibernia.

The outlook for the Provincial economy in 1992 is for lower real GDP and employment. Performance in the fishing industry is expected to be hampered by resource shortages and the consequent reduction in the Total Allowable Catch from the Northern Cod stock. The mining and forest industries will be constrained by market conditions causing both industries to undergo a period of rationalization. Difficulties in the fishing and forest industries will carry through to the manufacturing industry. The Hibernia project will be a positive factor in the Provincial economy this year despite the slowdown in the rate of expenditure for this project. The positive impact of the Hibernia development, while beneficial to the construction industry, will not be enough to offset negatives elsewhere in the economy. The government component of the service sector will be constrained by restraints on government expenditures at both the Federal and Provincial levels of government. This, combined with difficulties in the goods producing industries, is expected to hinder growth in the non-government component of the service sector.

Labour markets are not expected to improve in 1992. Problems in key Provincial industries will be reflected in lower employment: employment is forecast to drop by about three percent. This drop in employment is expected to push the unemployment rate up by two percentage points.

Investment activity will be strong in 1992 as spending is forecast to rise by more than four percent in real terms. Low interest rates and expenditures associated with the Hibernia development should play a prominent role in fuelling investment for the year. Low interest rates will be conducive to residential construction. In addition to this, recent announcements made by the Federal government aimed at stimulating the Canadian housing market are expected to provide a slight boost to the Provincial housing industry this year. Even with lower interest rates, the retail sector will continue to be constrained in 1992; retail sales are expected to decline in real terms.

Strong investment growth is expected in 1992

Inflation in Newfoundland and Labrador is expected to decline to about 1.8 percent in 1992. Low rates of inflation (a consequence of the restrictive monetary policy pursued by the Bank of Canada in recent years) will be a positive factor in the business climate. Personal income growth will be weak in 1992. Real personal income is expected to decline despite the low rate of inflation.

Agriculture

The Province's agri-foods industry includes both primary production as well as secondary processing of agricultural output. The primary sector of the industry has two major components, namely *livestock and livestock products* which includes cattle and calves, poultry, eggs and other livestock and related products; and *crops* which include potatoes, vegetables, fruit, floriculture, nursery and other crops. The secondary processing sector of the agri-foods industry, which is difficult to quantify because of its diversity, includes the manufacture of a variety of meat and poultry products, dairy products, as well as various livestock feeds.

Farm income was higher in 1991 than in the previous year

The agriculture industry, especially the primary sector, is an important source of economic activity in rural areas of the Province. Although some agricultural products such as blueberries and furs are exported to markets outside the Province, most agricultural products are consumed within the Province. While this reduces the Province's overall dependency on certain imported foods, it also means that the performance of the agri-foods industry is largely dependent on local economic activity.

Performance in primary agriculture improved in 1991. Total expenses, consisting of farm operating expenses and depreciation charges, dropped to just below $42 million, a decline of 2.5 percent from 1990 due mainly to lower feed expenses. Total net income, the difference between total revenue and expenses, amounted to slightly less than $21 million, an increase of 26 percent from a year earlier. The increase in net income was due the combination of lower farm operating expenses and the improvement in farm cash receipts.

Table 3

FARM CASH RECEIPTS, 1990 AND 1991
NEWFOUNDLAND AND LABRADOR
($ thousands)

	1990r	1991p	% Change
Livestock & Products			
Cattle & Calves	2,351	2,412	2.6
Poultry	12,689	12,293	-3.1
Eggs	8,700	8,498	-2.3
Other Livestock & Products (1)	24,864	26,697	7.4
Total Livestock & Products	**48,604**	**49,900**	**2.7**
Crops Produced			
Potatoes	1,020	942	-7.6
Other Vegetables	2,721	3,422	25.8
Fruit	1,178	1,920	63.6
Floriculture, Nursery & Other	3,629	3,903	7.6
Total Crops	**8,548**	**10,187**	**19.2**
Other Receipts & Supplementary Payments	2,271	2,234	-1.6
TOTAL CASH RECEIPTS	**59,423**	**62,321**	**4.9**

r: revised; p: preliminary

Note: (1) Includes dairy products, hogs, sheep and lambs.

Source: Policy Branch, Agriculture Canada; Economic Research and Analysis Division, Cabinet Secretariat.

Farm cash receipts in the primary segment of the Province's agriculture industry amounted to $62.3 million in 1991, marking an increase of 4.9 percent from the previous year (see Table 3). The increase in farm cash receipts resulted from higher revenues from the sale of both livestock and crops. Receipts from the sale of livestock and livestock products, which represent the largest share of industry output, rose by 2.7 percent to $49.9 million. This increase was due to higher prices for some commodities and increased milk production. Crop receipts totalled $10.2 million, an increase of 19.2 percent from the previous year and accounted for nearly 57 percent of the total increase in farm cash receipts. The rise in crop receipts was stimulated by increased production and higher prices for some crops.

The volume and value of production in the secondary processing sector of the agriculture industry is, as was mentioned previously, difficult to quantify because of the diversity in this sector. It is the view of the Department of Forestry and Agriculture, however, based on the increase in primary farm cash receipts, that the secondary processing sector turned in a solid performance in 1991.

The Task Force on Agri-Foods, whose report was released in April 1991, was directed to inquire into the current conditions and future direction of agriculture and related industries, and to recommend policy and a long-term strategy for the sector. In its final report, the Task Force listed a number of recommendations which emphasized ways in which the agriculture industry could be made more viable and competitive.

Efforts to enhance the industry in recent years have been supported by both the Federal and Provincial governments and various agreements are now in place to help develop the industry and to ensure its long-term viability. The five year Canada/Newfoundland Agri-Food Development Subsidiary Agreement, signed in June 1988, committed $8 million to promote growth in the agri-food industry and to encourage productive efficiency and improved marketing programs. It is estimated that by the end of March 1992, approximately 95 percent of the $8 million will have been committed. The Canada/Newfoundland Subsidiary Agreement on a Livestock Feed Initiative, signed in March 1987, committed $4.8 million to be spent over a four year period to develop the Newfoundland livestock feed sector by increasing the quantity and quality of livestock feed produced in the Province. This agreement was due to expire on March 31, 1991, however, an additional $820,000 was provided on April 1, 1991 to extend the agreement. The extension is expected to expire on September 30, 1992. No commitments have yet been made on this extra funding. The Canada/Newfoundland Environmental Sustainability Initiative, signed in September 1991, committed $1 million to be spent over one and one-half years to develop and/or adopt production methods and farming practices which are more consistent with the principles of environmental sustainability.

The performance of the agriculture industry is expected to be positive in 1992. Livestock receipts are expected to increase by over four percent while crop receipts are expected to increase by less than one

percent. Since total expenses are expected to remain about the same as the previous year, total farm net income is expected to increase by more than 14 percent.

Fishery

The fishing industry was dealt a severe blow during 1991. Quotas for several groundfish stocks were reduced again but perhaps more importantly, utilization rates, or the amount of fish taken as a percent of quota, fell substantially and caused a sharp decline in the volume of seafish landings. Groundfish landings fell for the fifth straight year culminating into one of the worst years in the Province's history while total landings were the lowest since 1977, the year in which the 200-mile management zone was introduced. In an industry besieged at almost every turn, high market prices and the potential for a solid capelin fishery initially held promise as mitigating factors. Adverse ice conditions, however, delayed the start of the capelin fishery and this coupled with a low abundance of large female capelin resulted in a poor capelin fishery. Prices for various cod products had, until recently, been at very high levels but began to edge downward as the recession in the United States took hold and supplies and usage of alternative fish species began to rise. With domestic landings and prices for some products reduced considerably, the financial performance of the two largest east coast fishing companies, Fishery Products International and National Sea Products, reflected the prevailing conditions; up to the third quarter of 1991, both companies reported negative financial positions.

Landings in 1991 were the worst in fourteen years. Total landings and value fell by approximately 24.0 and 14.5 percent respectively in 1991, as Table 4 shows. By species, higher landings of redfish, flounder, pollock, hake and grenadier were insufficient to offset lower landings of all other commercial groundfish species. Cod accounted for virtually all of the 16.9 percent decline in groundfish landings. Herring landings rose by about 41 percent, partly as a result of price incentives, but more importantly due to the availability of the resource. The increase in landings of herring coupled with a rise in mackerel landings was, however, insufficient to offset a decline in other pelagic landings; pelagic landings declined by 41 percent last year. Landings fell substantially due to a poor capelin fishery. Capelin landings amounted to only 49,000 tonnes, approximately 38 percent of the 1990 level. Crab landings rose by 44 percent to 16,000 tonnes but despite this excellent performance, total shellfish landings fell by more than 17 percent due to declines in squid, scallops, clams and shrimp.

The fishery on the West Coast of the Province, which constitutes the management zone known as the Gulf Region, performed reasonably well given the overall problems in the fishery. Total landings amounted to 70,000 tonnes, representing an increase of nearly one percent from 1990 levels whereas the value of landings rose by more than 50 percent as a result of substantial price increases for both cod and capelin. The Newfoundland Region (management zone which includes all areas of the Province except the West Coast), however, did not fare nearly so well. Total landings fell by about 28 percent but because of higher prices for some fish species, the value of landings contracted by 23 percent.

Table 4

LANDINGS AND LANDED VALUES OF COMMERCIAL SEAFISH NEWFOUNDLAND AND LABRADOR

	Quantity Landed (metric tonnes)		Value of Landings ($'000)	
Species	1990	1991	1990	1991
Groundfish	336,705	279,818 (-16.9%)	175,218	153,381 (-12.5%)
Pelagic & Other Fin Fish	159,848	94,197 (-41.1%)	29,745	22,025 (-26.0%)
Mollusc & Crustaceans	47,062	38,893 (-17.4%)	78,047	66,606 (-14.7%)
Grand Total	**543,614**	**412,908 (-24.0%)**	**283,010**	**242,012 (-14.5%)**

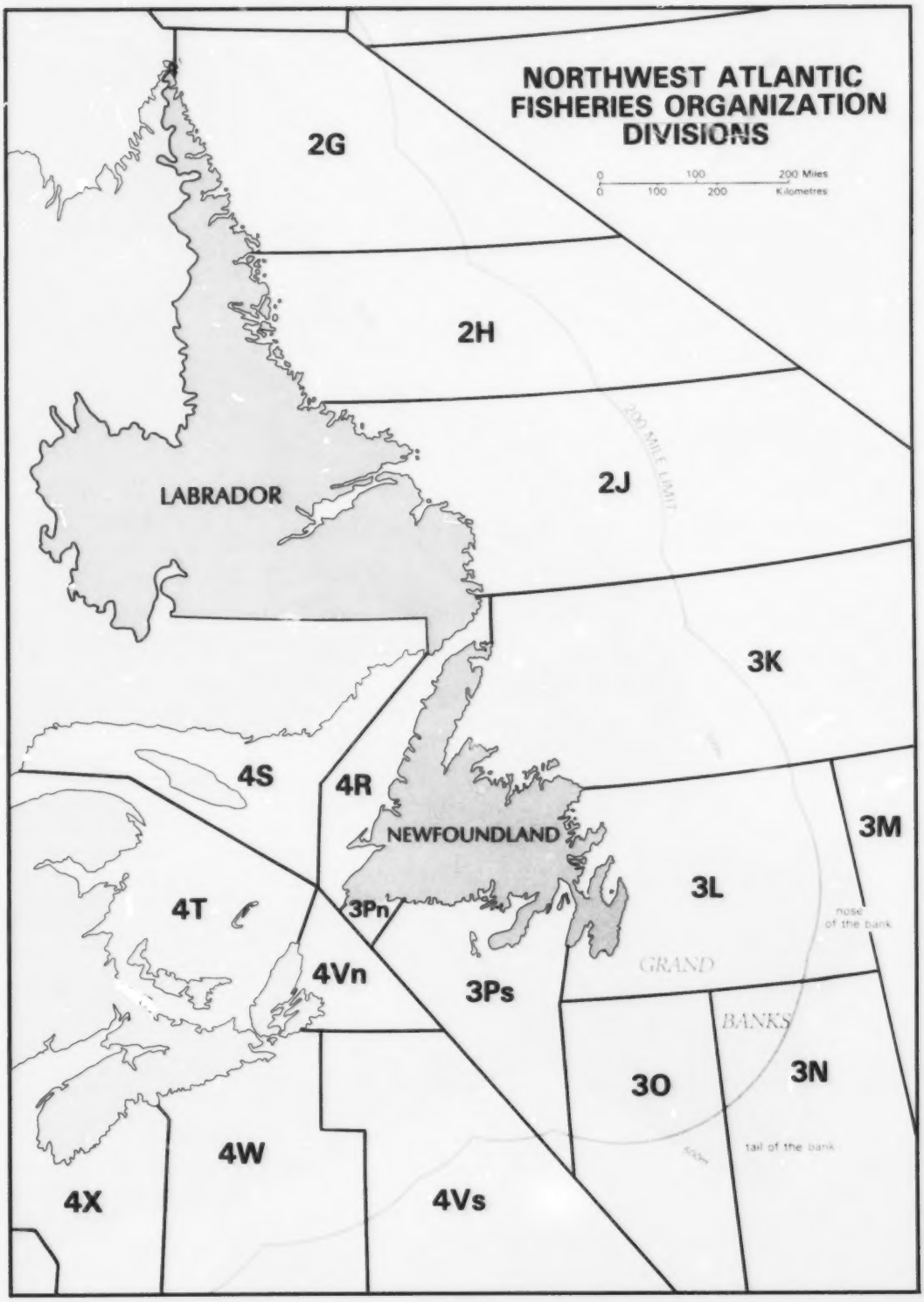
Notes: Figures are preliminary.

Source: Department of Fisheries and Oceans; Economic Research and Analysis Division, Cabinet Secretariat.

The decline in groundfish quotas in recent years and the precipitous drop in landings during 1991 had an adverse impact on employment levels. Fish processing employment has declined steadily from a peak of 10,800 person-years in 1987 to an estimated 7,100 in 1991. Fish processing employment fell on a year-over-year basis by an estimated 1,100, or by about 13.4 percent, from the level recorded in 1990.

Cod is the main species on which the fishery is based and the 2J+3KL (Northern Cod) stock is the most important of the groundfish stocks. The major fleet sectors are outlined in Table 5 along with the amount of cod taken from the NAFO divisions relevant to the Province's fishing industry; the table also provides a comparison of cod landings for 1990

Map 2


NORTHWEST ATLANTIC
FISHERIES ORGANIZATION
DIVISIONS
0 100 200 Miles
0 100 200 Kilometres
2G
2H
2J
3K
3L
3M
3N
3O
3Pn
3Ps
4R
4S
4T
4Vn
4Vs
4W
4X
LABRADOR
NEWFOUNDLAND
200 MILE LIMIT
nose of the bank
tail of the bank
GRAND
BANKS

and 1991. In 1990, cod landings comprised 45 percent of total landings. During that same year, landings from the 2J+3KL stock accounted for 75 percent of all cod landed in Newfoundland and Labrador. The drop in groundfish landings during 1991 is, as the table shows, primarily attributable to the deteriorated performance of this particular stock. Cod landings declined by 23.9 percent during 1991 and more than 90 percent of this decline was attributable to the drop in Northern Cod landings (see Table 5).

Table 5

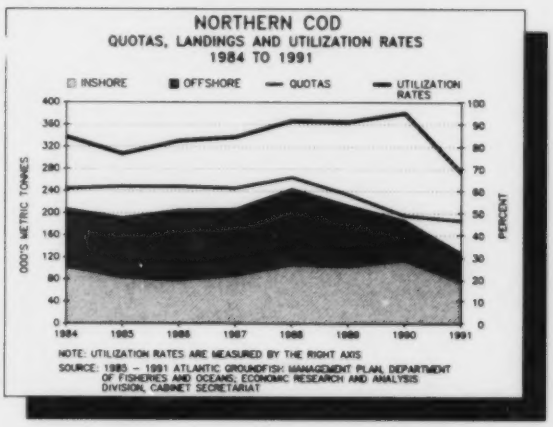
COD LANDINGS BY SECTOR
NEWFOUNDLAND AND LABRADOR
1990 AND 1991
(metric tonnes - round weight)

Fleet Sector	NAFO Area	Quantity Landed 1990	Quantity Landed 1991	% Change
Offshore	2J+3KL	59,227	50,076	-15.4
Offshore	3NO	6,493	4,978	-23.3
Offshore	3PS	3,119	3,161	1.3
Offshore	4RS+3PN	1,828	1,025	-43.9
Offshore	4VN	2,508	1,113	-55.6
Offshore	4VSW	3,622	3,945	8.9
Subtotal Offshore		**76,797**	**64,298**	**-16.3**
Inshore	2J+3KL	111,539	74,000	-33.7
Inshore	3PS	18,859	19,992	6.0
Inshore	4RS+3PN	4,476	7,644	70.8
Subtotal Inshore		**134,874**	**101,636**	**-24.6**
Mobile Fleet	4RS+3PN	18,714	12,607	-32.6
Resource Short Plant Program	2J+3KL	4,150	0	n.a.
Total		**234,535**	**178,541**	**-23.9**

Source: Canadian Atlantic Quota Reports 1990 and 1991; Economic Research and Analysis Division, Cabinet Secretariat.

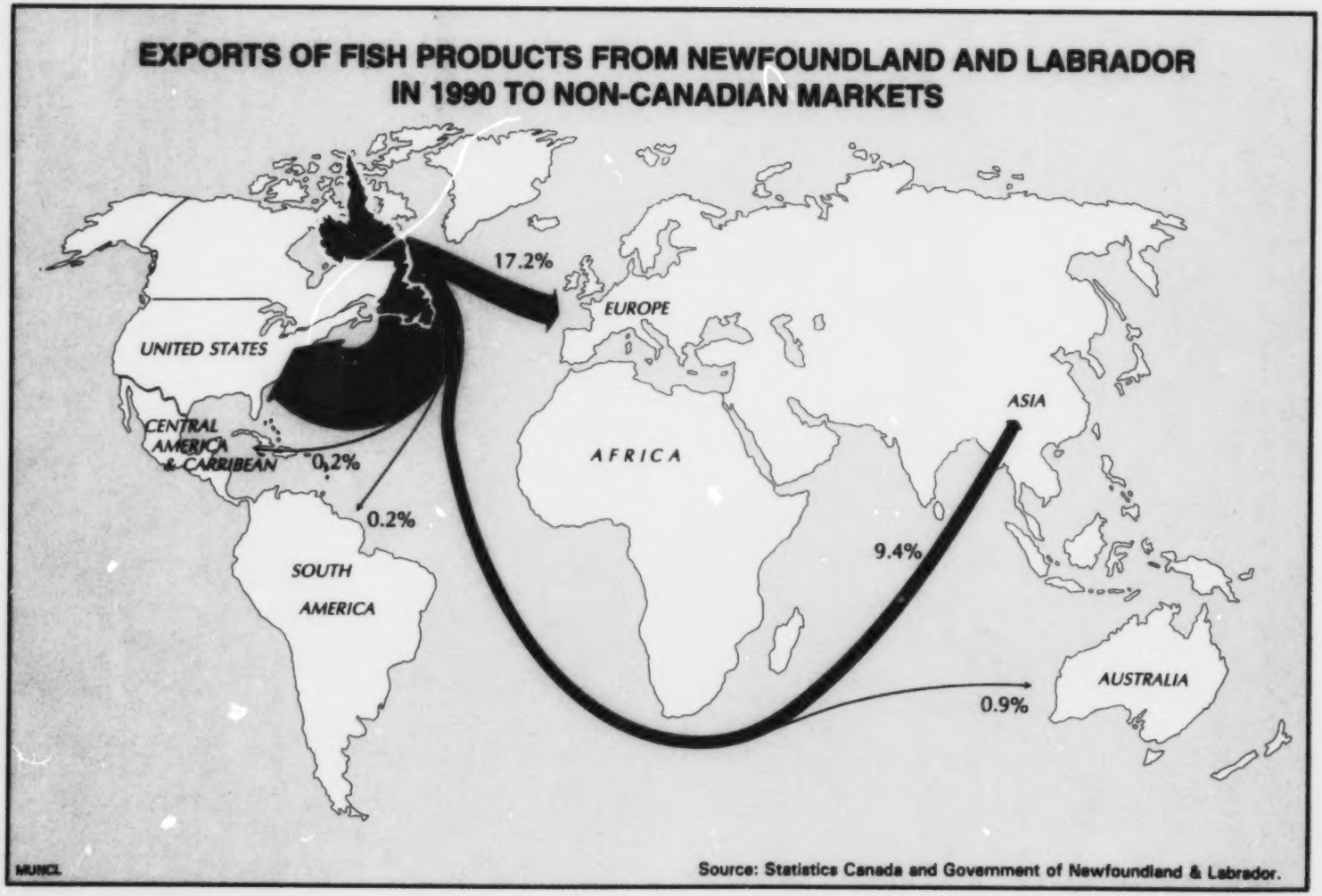
The integrity of the 2J+3KL stock has been of concern in recent years. The utilization of 2J+3KL quotas, or the amount of fish harvested as a proportion of the quota, fell sharply in 1991 as Diagram 6 shows. Utilization rates can be viewed as an indicator of the success of the harvesting sector in pursuing the fish resources. Diagram 6 shows that catches declined much more than the decline in quotas last year, pulling down the utilization rate. Utilization rates rose from a low of 77 percent in 1985 to an improved level of 92 percent in 1988. This was exceptional in view of the conditions under which this was accomplished. As the diagram illustrates, quotas rose to a peak level of 266,000 tonnes in 1988 and both major harvesting sectors exhibited considerable success in taking their respective allocations; the inshore harvested 85 percent of its allowance while the offshore took 94 percent of its allocation. Utilization rates for the next year remained fairly steady, then rose in 1990, however, this increase was the result of the quotas falling at a rate faster than landings. By 1991, both the offshore and the inshore sectors had left significant quantities of fish in the water while quotas had fallen only marginally. The offshore harvested 76 percent of its allocation while the inshore harvested only 64 percent of its allowance. Combined, these two sectors recorded a utilization rate of only 69 percent, representing the lowest rate recorded since the 1970s.

Diagram 6



As a result of the deteriorated state of the groundfish stocks in recent years, the Federal and Provincial Governments introduced various programs designed to promote stock rebuilding and to facilitate adjustments within the rebuilding period. The severe downturn in the capelin and inshore cod fishery during 1991, however, resulted in the need for aid beyond that granted originally. In response to the ice damage and inshore catch failures along the Northeast Coast of the Province and other parts of Atlantic Canada, the Federal Department of Fisheries responded with a $57.5 million assistance plan. This was comprised of: an *Emergency Job Creation Fisheries Employment Program* ($25 million); a herring subsidy ($6.5 million) to encourage the harvesting and export of herring to Eastern European and other markets; a special *Atlantic Inshore Gear-up Program* ($8.0 million); and special *Ice Compensation* payments ($18.0 million). In addition, the Province added $2 million in support of specific community-based projects and implemented another program designed to enable fishermen to achieve higher earnings from the fall herring fishery. At the time of writing, most money budgeted for these programs had been either spent or fully committed.

Map 3


EXPORTS OF FISH PRODUCTS FROM NEWFOUNDLAND AND LABRADOR
IN 1990 TO NON-CANADIAN MARKETS
17.2%
EUROPE
UNITED STATES
CENTRAL
AMERICA
& CARRIBEAN
0.2%
0.2%
SOUTH
AMERICA
AFRICA
ASIA
9.4%
AUSTRALIA
0.9%
MUNCL
Source: Statistics Canada and Government of Newfoundland & Labrador.

Most groundfish landed in the Province is processed into frozen fillet and block products. Frozen groundfish production fell during 1991 reflecting the drop in landings. Approximately 67,500 tonnes of product was produced last year in the Newfoundland Region; statistics for the West Coast were not available. This production level represented a drop of about 27 percent from 1990. Of the 67,500 tonnes produced during 1991, about 46 percent was comprised of frozen block products, 45 percent of fillet products and the remaining nine percent was "other" frozen groundfish products such as "head-on-gutted" redfish.

Some groundfish, such as cod, is used for the production of saltfish. About 4,800 tonnes of salted cod was produced in the Newfoundland Region last year, representing a decline of 8.9 percent from 1990 and the third consecutive year in which production has fallen.

Table 6

UNITED STATES COLD STORAGE END OF MONTH GROUNDFISH STOCKS, 1990 AND 1991
(metric tonnes - product weight)

	December		
	1990	1991	Percent Change
Cod Fillet	4,222	10,034	137.7
Other Fillet	23,909	25,005	4.6
Total Fillet	**28,131**	**35,039**	**24.6**
Cod Block	4,544	6,084	33.9
Other Block	15,557	22,900	47.2
Total Block	**20,101**	**28,984**	**44.2**

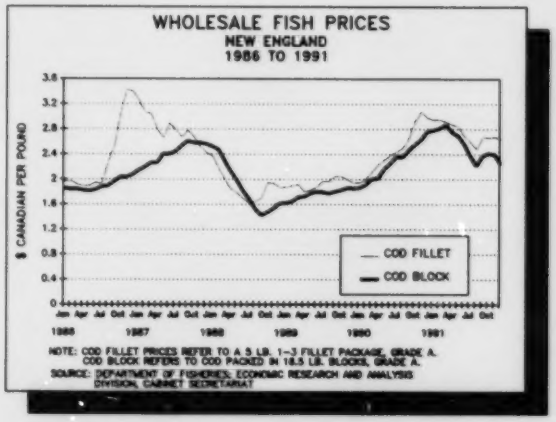
Source: United States Department of Commerce; Economic Research and Analysis Division, Cabinet Secretariat.

The capelin fishery has contributed significantly to the overall performance of the fishing industry in recent years, particularly in view of the groundfish quota reductions. In 1991, however, the prominence of this fishery was somewhat diminished. Capelin landings comprised only 12 percent of all species harvested (compared to 23 percent of a much larger base in 1990) with 17,506 tonnes of capelin readied for oriental markets. This was about 52 percent less processed product than the previous year. The only upside was higher prices. Negotiated prices were established at $1,600/tonne, representing an increase from the previous year of about 8.5 percent.

Most of the Province's frozen groundfish production enters the United States market via the New England area. Changes in this regional market have important implications for the Province's fishing industry. Based on market commentary to date, there is reason to believe that demand for cod products weakened in 1991 because of resistance to higher prices and declining activity in the food service trade due to the recession in the United States.

In response to the decreased amount of some groundfish species available for sale, most notably cod, inventories in the United States in recent times have been fairly low on an historical basis. Inventories remained low in the early part of 1991 but rose substantially towards year end as the pace with which the product moved through the system began to slow. As Table 6 illustrates, inventories of most groundfish products rose considerably by the end of December. Total fillet and block holdings increased by 24.6 and 44.2 percent respectively.

Diagram 7



In an environment of reduced supplies and, until recently, steady demand for cod, prices in the United States hit historical highs in the latter part of 1990 and early 1991. The full benefit of higher prices in the United States was offset somewhat compared to the 1986/87 period of high prices because of the appreciation of the Canadian dollar against the American dollar. In Canadian dollar terms, prices for cod fillet peaked at $3.12 in November 1990 while cod block prices reached $2.92 in March 1991, as Diagram 7 illustrates. Prices fluctuated somewhat throughout 1991 but ended the year at a lower level; weekly prices for cod fillet and block averaged $2.69 and $2.29 a pound respectively during December. Due to the high level of prices early in the year, prices for cod fillet and block, on a monthly average basis, were higher by 11.2 percent compared to 1990. Unlike 1990 market conditions, however, the shortage of

groundfish, (cod in particular) could not sustain the high price levels as market analysts report that resistance to high prices and the effects of the recession resulted in a switch to lower priced species and, hence, lower demand for cod.

The two largest vertically integrated fish companies in Atlantic Canada are Fishery Products International (FPI) and National Sea Products. Changes in the financial positions of these companies can sometimes be indicative of trends throughout the industry. FPI reported sales of $401.7 million in the first nine months of 1991, an increase of 1.8 percent from the same period in 1990, however, a loss of $1.5 million was reported in 1991 compared to income from operations of $0.3 million for the same period in 1990. National Sea Products reported sales of $341.1 million during the first nine months of 1991 compared to $352.3 million during the same period in 1990: income from operations showed a loss of $2.0 million compared with a loss of $3.2 million in 1990. The third quarter for these companies is traditionally the weakest because of reduced offshore fishing effort during the summer. This traditional third quarter weakness was compounded in 1991 by lower than usual inshore supplies of raw material.

The fishing industry is expected to record another year of reduced landings in 1992. The Newfoundland Region will bear virtually all of the decrease given historical landing patterns. The outlook for the Province's fishing industry is predicated on the recently revised (February 24, 1992) estimates of Northern Cod biomass and Total Allowable Catch (TAC).

The recent response of the Federal Minister of Fisheries to the decline in the Northern Cod stock is expected to affect the Newfoundland Region more so than the Gulf Region (the West Coast of the Province). The Gulf Region accounted for 17 percent of total landings in 1991. Landings on the West Coast during 1992 are expected to remain fairly stable. In the Newfoundland Region, however, landings are expected to decrease. The reduction from the initial TAC of 185,000 to the current TAC of 120,000 represents a substantial drop. It should be remembered, however, that only about 127,000 tonnes of cod were harvested from the 2J+3KL stock last year. Therefore, should the TAC of 120,000 tonnes be fully utilized this year, then the actual drop in landings from the previous year would be in the order of 7,000 tonnes, a sizeable loss, but substantially lower than that initially implied by the drop in the overall TAC figures. The inshore has priority access to the Northern Cod stock and the largest share of the TAC. As a result, the fortunes of the Northern Cod fishery hinges primarily on the success of the inshore sector.

The Northern Cod stock is the Province's single largest groundfish stock and, therefore, the most important. The Northern Cod stock, however, is but one of many stocks upon which the major fishing companies depend. Stability in other groundfish stocks (which combined account for the majority of either companies' raw material needs), will aid in cushioning an otherwise deteriorated situation. The outlook for fish prices in the United States market is stable as the United States pulls out of recession thus improving the chances of a resurgence in food service activity. The recent drop in the Canadian dollar would also suggest that Canadian processors can expect additional revenue from currency adjustments in 1992.

To summarize, the recent drop in the TAC for Northern Cod means lower landings and less activity in fish processing. There are, however, mitigating factors which include an expectation that landings on the West Coast will approximate that harvested in 1991; a stable price outlook in the United States; a depreciating Canadian dollar; and subject to resource availability, a capelin harvest approximating last year's level. To the extent that the inshore and the offshore are able to harvest their allocations during 1992, then landings may not fall as much as the drop in the TAC might suggest. The industry's short-term outlook, particularly in the offshore sector, will be characterized by considerable adjustment in response to changing resource circumstances. The outlook for the Northern Cod stock, however, in the longer term, has been enhanced by the recent TAC reductions.

Forestry

The forest industry is comprised of both primary activities, including harvesting and forest management, and the secondary processing of wood into products such as newsprint and lumber. This industry accounted for approximately 10 percent of Gross Domestic Product (GDP) in the Province's goods producing sector in 1990 and 2.8 percent of total GDP. The forest industry generated nearly 4,000 person-years of employment in 1990, making it the third largest employer in the Province's goods producing sector.

Total timber harvested on the Island portion of the Province was approximately 2.2 million cubic metres in the 1990/91 fiscal year. Diagram 8 shows timber production in the Province by end use. Roughly 80 percent of timber production was used as raw material for the manufacture of products such as newsprint and lumber. The remaining wood was used locally as fuel. Pulpwood used in the production of newsprint by the Province's three pulp and paper

mills accounted for the largest share of harvested timber, consuming 72 percent of the total. Sawlogs, used in secondary manufacturing of lumber, accounted for approximately 7.4 percent of the timber harvest with harvesting concentrated on the Bonavista Peninsula and in the Central region of the Island from Gambo to Springdale.

Diagram 8

TIMBER PRODUCTION BY END USE
NEWFOUNDLAND AND LABRADOR
1990/91
(SOLID CUBIC METRES)
PULPWOOD
72.0%
FUELWOOD
20.6%
SAWLOGS
7.4%
NOTE: TOTAL TIMBER PRODUCTION = 2.2 MILLION CUBIC METRES (SOLID); FIGURES ARE FOR ISLAND PORTION OF THE PROVINCE
SOURCE: DEPARTMENT OF FORESTRY AND AGRICULTURE; ECONOMIC RESEARCH AND ANALYSIS DIVISION, CABINET SECRETARIAT

In addition to harvesting operations, primary forestry activities also include the management and protection of the Province's forest resource, a responsibility which rests with the Provincial Government. Management activities, which are carried out in conjunction with the pulp and paper industry, are designed to ensure long-term timber supplies by enhancing resource productivity through accelerated forest growth and greater resource utilization.

In March 1991 both levels of government signed the Canada/Newfoundland Cooperation Agreement for Forestry Development in Newfoundland and Labrador. This five year agreement, which was retroactive to April 1, 1990, calls for expenditures of $64.3 million on a cost-shared 70/30 Federal/Provincial basis. Expenditures under this Agreement for the 1991/92 fiscal year are expected to reach $11.3 million, up from the $10.8 million spent under the agreement during 1990/91. A separate cost-shared agreement between both levels of government and the two pulp and paper companies, designed to fund a *Forestry Training and Enhancement Program* and intended to improve the productivity of forestry workers, resulted in additional expenditures of approximately $3.8 million during 1991/92. Expenditures under the Labrador Development Agreement will total an additional $0.6 million. The main thrust of the programs undertaken by all three agreements continues to be silviculture initiatives such as tree planting and the precommercial thinning of young timber stands to enhance their growth rates and ensure future timber supply in the Province.

The Government of Newfoundland and Labrador, in addition to expenditures under cost-shared agreements with the Federal Government, is estimated to have spent approximately $17.7 million in 1991/92 on forest protection, enforcement of regulations, personnel and other activities. The protection of forest resources from fire, insects and disease comprises a large part of these expenditures. Total spending on fire suppression and water bombers combined reached approximately $9.1 million in 1991/92, up from $7.9 million in 1990/91. Almost all of the 1991/92 expenditures were spent during the forest fire season in the summer of 1991. There were 166 fires reported resulting in approximately 65,373 hectares of forest being burned. Of the 65,373 hectares burned, 9,623 or 14.7 percent, was considered to be merchantable or commercial timber stands. This compares to 197 fires in 1990 which burned 47,317 hectares, 5.5 percent of which were considered commercially viable.

Table 7

CANADA/NEWFOUNDLAND COOPERATION AGREEMENT FOR FORESTRY DEVELOPMENT 1991/92 EXPENDITURES

Programs	Estimated Expenditures
Silviculture	$7,072,245
Forest Management	$3,132,700
Forest Protection (Technology Transfer)	$442,650
Forest Industry Development	$494,300
Administration and Communications	$208,125
Total	**$11,350,020**

Source: Department of Forestry and Agriculture.

Production of newsprint dominates manufacturing activity in the forest industry. The three pulp and paper mills in the Province, located in Corner Brook, Grand Falls and Stephenville, all rely heavily on highly competitive foreign markets, particularly the United States and Europe. Conditions in these markets have a significant bearing on the performance of the industry in this Province and the rest of Canada.

The Canadian newsprint industry continued to experience weak newsprint markets in 1991 due mainly to lower demand in the United States and over capacity in the industry world wide. Canadian

newsprint shipments fell by 3.5 percent to 8.76 million tonnes while production decreased by one percent to 8.98 million tonnes during the year. These declines were mainly the result of weak demand in the United States. This lower Canadian production comes on the heels of a 5.5 percent decline in shipments and a 5.9 percent decline in production during 1990.

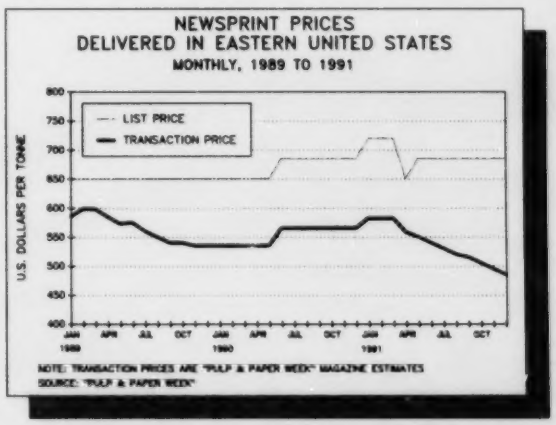
Operating rates for Canadian newsprint mills decreased from 89 percent in 1990 to 87 percent during 1991 as the industry experienced numerous downtime periods and several mill closures. According to *Pulp and Paper Weekly*, the Canadian newsprint industry lost an estimated 1.3 million tonnes of output due to downtime during 1991. This was equivalent to 12.1 percent of Canada's total newsprint capacity for the year. Lower operating rates, competitive pricing in world markets and unfavourable exchange rates all contributed to record financial losses for the industry in 1991. Based on financial results for the first nine months, the Canadian Pulp and Paper Association estimates that the Canadian pulp and paper industry lost $1.5 billion in 1991. This compares to an aggregate loss of $265 million for this industry during the 1981/82 recession.

Financial losses and declining output and shipments in the newsprint industry reflect a number of factors. The North American recession, combined with the closure of several daily newspapers in the United States and decreasing newspaper advertising in general, produced a 5.6 percent decline in United States newsprint consumption during 1991. This decline in consumption, along with a 20 percent increase in United States capacity in the past five years, has created an estimated two million tonnes per year of excess newsprint capacity in Canada. This excess capacity created an oversupply of newsprint in 1991 and led to fierce price competition.

Price activity is often a good indicator of conditions in key markets, and newsprint prices in the United States, the largest single market for newsprint in the world, tend to lead world prices for this commodity. Newsprint list prices refer to the price which sellers of newsprint have jointly established as a basis for negotiating sales contracts with their customers. Transaction prices are the prices at which the product actually sells; these prices take into account discounts from the list price. Discounts vary in magnitude depending on a number of factors including individual vendor-client relationships, size and duration of the contract, delivery time, currency of the transaction and other market forces such as general supply and demand conditions.

During 1991, newsprint producers were forced to offer price discounts in the range of 20 to 40 percent off newsprint list prices in the United States. In the face of excess capacity and the resulting oversupply, large pulp and paper companies continually cut prices in attempts to increase or maintain their market shares and newsprint consumers, recognizing this, continually sought better discounts. This discounting was worsened by the presence of several modern low cost producers, located mainly in the southern United States, who entered the market during the past few years. These mills can produce newsprint at a much lower cost than many older Canadian mills and have helped drive newspaper prices to extremely low levels as they attempted to increase their market share.

Diagram 9



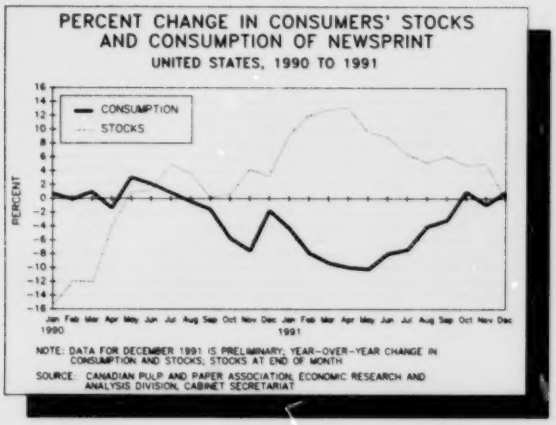
Newsprint list and transaction prices for the Eastern United States are illustrated in Diagram 9. The average transaction price during 1991 was US$153.8 below the average list price of US$690.8 per tonne indicating that producers were forced to offer large price discounts in the face of increased international competition. Some producers were reportedly offering discounts of up to 40 percent off the eastern United States list price for large orders near the end of 1991. For the year as a whole, transaction prices averaged US$537 per tonne, down 2.8 percent from the 1990 average of US$552.5.

Over capacity in the newsprint industry, combined with declining United States consumption, produced lower prices and lower operating rates for the Canadian newsprint industry in 1991. In addition to this, the value of the Canadian dollar has risen by 21 percent in the last five years and continued to rise during the past year. Appreciation of the Canadian dollar effectively decreases revenues for Canadian newsprint producers in international markets and reduces their ability to compete with foreign

producers. The continued appreciation of the Canadian dollar combined with lower operating rates and extremely low newsprint prices, especially in the second half of the year, severely reduced the profitability of many older Eastern Canadian newsprint mills during 1991. All of these factors coming on the heels of near zero profit margins in 1990 led to the huge losses the Canadian industry experienced in the past year.

The eroding prices and shrinking demand forced Canadian mills to cut production and decrease shipments during 1991. Even with the reduced output levels, Canadian mill inventories had risen to 635,000 tonnes at the end of November, up 86.8 percent from November of 1990. At the end of December, however, inventories had decreased to 536,000 tonnes but were still up 70 percent from December of 1990, a further indication of the oversupply problems the industry faced in 1991.

Diagram 10



Despite an overall annual decrease in United States newsprint consumption in 1991, preliminary estimates indicate that consumption increased by 0.4 percent last December relative to December 1990. This follows a 0.6 percent increase during October which was the first sign of growth since July 1990. Consumer stocks of newsprint in the United Stated decreased slightly in November relative to October, but were still up 4.6 percent on a year-over-year basis, another indication of the oversupply problem in the newsprint industry. Preliminary figures for December, however, show a 0.6 percent decrease in United States consumer stocks relative to December 1990 marking the first year-over-year decrease in consumer stocks since April 1990. Year-over-year percentage changes in United States newsprint consumption and consumer stocks is shown in Diagram 10.

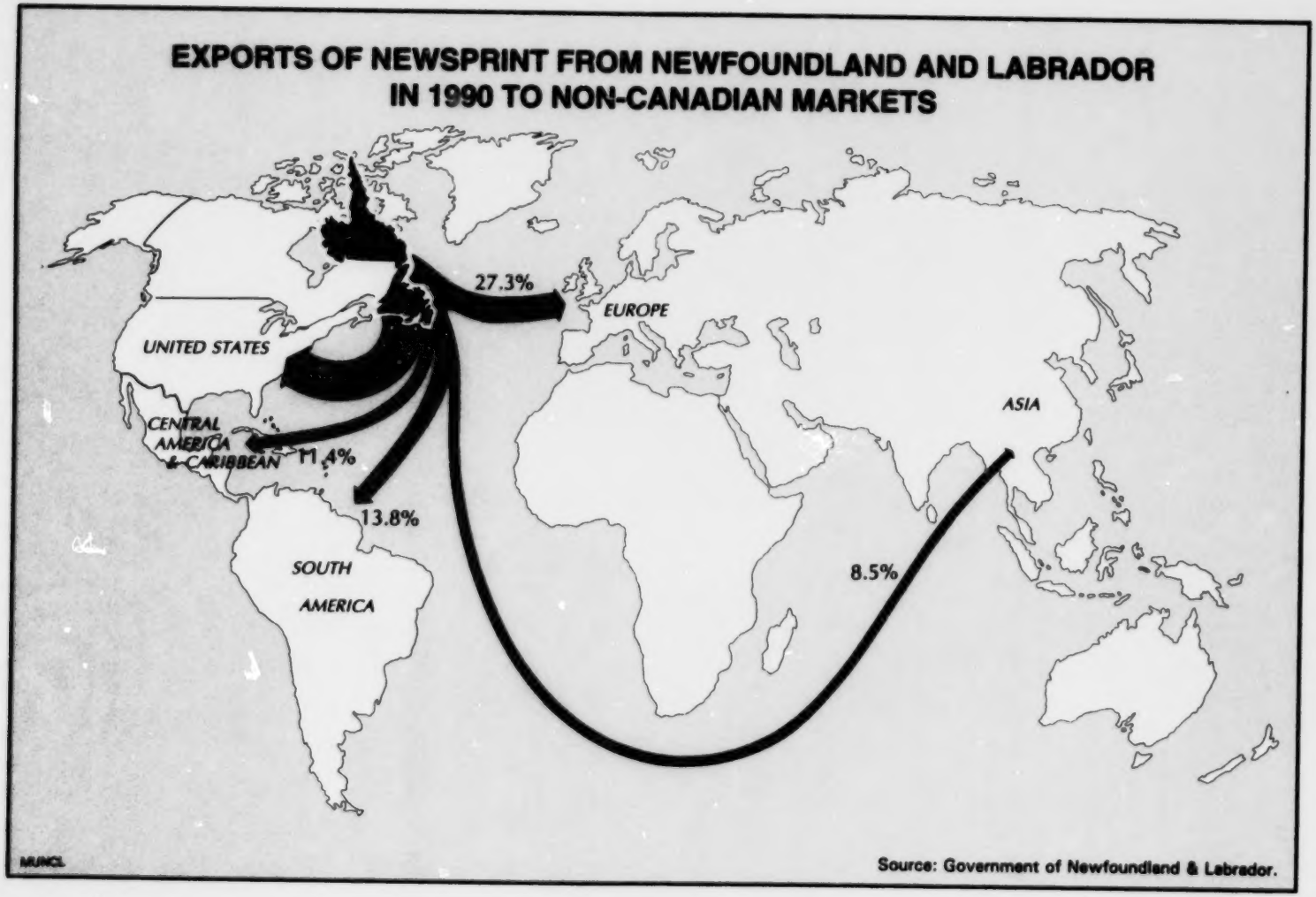
A global move to greater recycled paper content is another factor influencing the demand for Canadian newsprint. The growing desire of consumers for a certain percentage of recycled paper content in newsprint makes marketing difficult for Canadian mills with little or no recycled paper content in their product. This is an acute problem for mills located in isolated areas where there is no major urban centre to supply the old paper for recycling. Thus, the mills' costs are increased when they are forced to import old paper from other areas for use in their production process.

Provincial mills also experienced downtime in the past year. Corner Brook Pulp and Paper shut down their operations for approximately two weeks in late September and early October resulting in an estimated loss of 13,000 tonnes of newsprint. Abitibi-Price also shut down its Grand Falls operation for two and a half days and its Stephenville operation for one day in early September. The Stephenville operation was shut down again for four days early in December and the usual three day Christmas shutdown was extended to two weeks for both of the Company's mills. As well, Corner Brook Pulp and Paper announced cost-cutting measures that resulted in a workforce reduction of 28 non-union people at the beginning of June 1991 and 39 unionized people, effective September 15, 1991. In addition, it was announced early in December that 250 woods workers, 12 office staff and 6 Deer Lake power plant staff would be laid off by the Corner Brook operation by year-end.

Provincial newsprint shipments totalled 635,989 tonnes during 1991, representing an increase of 0.9 percent from the previous year. Shipments were up in spite of the production losses due to downtime and reduced capacity due to the permanent shutdown of the Number Six paper machine at the Grand Falls mill in February of 1990. Although the volume of shipments increased, the value of newsprint shipments, based on average transaction prices, declined by approximately 3.7 percent to $391 million during 1991. This decrease was due to the lower average transaction prices and the appreciation of the Canadian dollar.

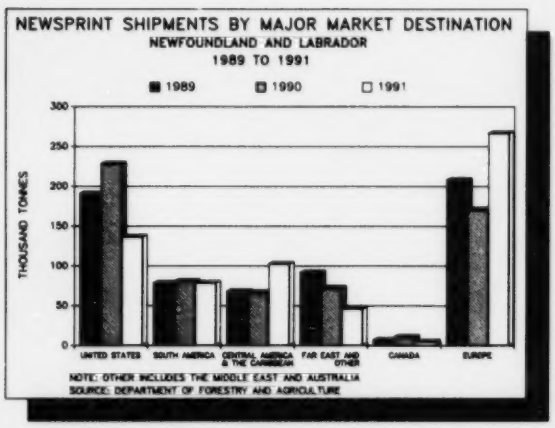
Europe and the United States are the Province's two major markets for newsprint (see Map 4). Due to the slumping markets in the United States during 1991, there was a sharp shift in market destinations for Provincial newsprint shipments, as shown in Diagram 11. In the process, the share of shipments going to the United States decreased from approximately 39 percent in 1990 to only 21.5 percent in 1991. This shift away from the United States market resulted in increased shipments to the

Map 4


EXPORTS OF NEWSPRINT FROM NEWFOUNDLAND AND LABRADOR
IN 1990 TO NON-CANADIAN MARKETS
27.3%
EUROPE
UNITED STATES
ASIA
CENTRAL
AMERICA
& CARIBBEAN
11.4%
13.8%
SOUTH
AMERICA
8.5%
MUNCL
Source: Government of Newfoundland & Labrador.

European and Central American and Caribbean markets. Shipments to Europe were up 56.2 percent, increasing its market share from approximately 27.3 percent in 1990 to 42 percent in 1991. Shipments to Central America and the Caribbean also increased, resulting in an increase in its market share from 11.4 percent in 1990 to 16.1 percent in 1991. This shift to offshore markets was part of a general trend in the Canadian newsprint industry during 1991 and if the United States' market remains weak there could be increased competition in these markets in 1992. Newfoundland mills do, however, possess a competitive advantage in over-seas markets due to more ready access to water transportation than inland Canadian mills. The Province's mills are less dependent on the United States market, with only 21.5 percent of shipments going to the United States in 1991. The comparable figure for the Canadian industry shipments as a whole was approximately 66 percent. Thus, Newfoundland mills may not be as hard hit as some other Canadian mills by a continued downturn in the United States' market.

Diagram 11



Sawmilling is the second largest manufacturing activity in the Province's forest industry. Virtually all lumber production is consumed locally, and the industry meets about 40 percent of the Province's total lumber requirements. Preliminary figures suggest that lumber production during 1991/92 will remain close to the level of 42.6 million board feet achieved in 1990/91.

The trend towards integrated operations in the sawmilling industry continued in 1991. The integration of sawlog and pulpwood cutting is increasing in harvesting operations and a greater emphasis is being placed on residual wood product recovery. Operators cutting sawlogs for their own operations have also begun cutting trees that, while unsuitable for sawlogs, are suitable pulpwood for the pulping operations of the Province's newsprint mills. In addition, residual wood products such as treetops and branches from in-forest production as well as residual wood products from the sawmill operations are also being sold to the paper mills. Abitibi-Price in Grand Falls, for example, consumed approximately 8,221 dry tonnes of pulp fibre chips in 1990 with 17 percent coming from in-forest production and 83 percent from sawmill residue. Chips from sawmill residue replaced approximately 16,770 cubic metres of roundwood deliveries in 1990. Figures are not yet available for 1991, but similar integrating programs were continued during the past year.

Markets for Canadian newsprint are expected to remain weak at least for the first half of 1992 due to the slow economic recovery in the United States and Canada, overcapacity in the industry and the high value of the Canadian dollar. United States prices and demand are expected to improve slowly in 1992, especially in the second half of the year when the economic recovery begins to strengthen. Advertising expenditures during the Olympic games and the United States Presidential nominations may also boost newsprint demand. In spite of the problems, the Canadian Pulp and Paper Association is forecasting a 2.9 percent increase in Canadian newsprint shipments in 1992. Sales to the United States are expected to increase by 2.5 percent while the industry's operating rates are forecast to rise by one point, to 88 percent. The industry, however, has been hard hit by the recession and the modest growth expected in 1992 is only one small step to full recovery. The industry is entering the year with record high mill inventories in both the United States and Canada and mills are already scheduling market related downtime for 1992. The recent depreciation of the Canadian dollar will help Canadian producers, but a much larger drop in the dollar is required to have a significant impact on the producers dwindling revenues. Every major producer in the industry is in the process of rationalizing its operations and cutting costs in order to survive the current downturn in the industry. All are hoping for improved prices and a lower Canadian dollar in 1992.

Overall, the outlook for the Province's forest industry is mixed in 1992. In light of the weak newsprint markets, newsprint shipments are expected to decline slightly in 1992 and more market related downtime is expected. Corner Brook Pulp and Paper has already scheduled a four week shutdown of one of its paper machines beginning in early February. Any decline in newsprint production would also adversely affect pulpwood production during the year. On a more positive note, if the expected decline in the value of the Canadian dollar against its United States counterpart materializes this year, a much needed

boost to producers' revenues will be provided. As well, the sawmilling industry is expected to receive a boost from an anticipated increase in housing starts in the Province during 1992. As a result, lumber production is expected to recover marginally in 1992/93. Also, expenditures under the Canada/Newfoundland Cooperation Agreement for Forestry Development in the Province will be maintained in 1992. This combined with expenditures by the Provincial and Federal governments and the pulp and paper companies under several other forestry related agreements and programs will continue to enhance future growth potential in the Province's forest industry.

Mining

The total value of mineral shipments in the Province is estimated to have declined by over eight percent in 1991. This was the result of declines in the production of several mineral commodities. Production of gold and asbestos fell in 1991 while the closure of the Daniel's Harbour and St. Lawrence mines in the latter half of 1990 resulted in the loss of zinc and fluorspar production in 1991. Employment in the industry totalled 3,500 persons in 1991, a decline of about 900 persons compared to 1990.

Iron ore is the largest contributor to the Provincial mining industry, both in terms of the value of shipments and employment. The Iron Ore Company of Canada (IOCC) and Wabush Mines both extract iron ore from mines in western Labrador. IOCC produces iron ore concentrate and pellets at its facilities in Labrador City while concentrate produced by Wabush Mines is shipped to its Point Noire plant to be further processed into pellets.

Shipments of iron ore totalled approximately 20.9 million metric tonnes in 1991, an increase of about ten percent compared to 1990. The value of shipments rose by only 4.6 percent in 1991. While prices were higher for both concentrate and pellets last year, the value of shipments increased by less than volume because of a change in the mix of product shipped. IOCC shipped more of the lower priced concentrate and less of the higher priced pellets. Prices for IOCC concentrate in European and Japanese markets increased by 8.9 and 9.7 percent respectively in 1991. Prices for IOCC pellets in European markets were 0.8 percent higher than in 1990.

IOCC shipped 16.3 million tonnes of iron ore products during 1991, 12.1 percent more than was shipped in 1990. Shipments of concentrate increased by 38.5 percent while shipments of pellets decreased 6.7 percent. Strong European demand for concentrate resulted in the increase in concentrate shipments while the demand for pellets has declined, resulting in lower pellet shipments. In spite of the improved performance recorded by IOCC in 1991, the company laid off 76 persons in late November 1991 and a further 111 persons were laid off on January 17, 1992. The layoffs partly reflect cost saving measures that have been imperative in the face of increasingly cost-competitive markets, however, they also reflect the fact that anticipated orders for IOCC products in 1992 are lower than in 1991. In addition to layoffs, IOCC has decided to have a five week shutdown from July 27 to September 3, 1992. During this time most employees will take their annual vacation. The shutdown will enable the company to do some necessary repairs and maintenance.

Wabush Mines shipped 4.7 million tonnes of iron ore concentrate to Point Noire during 1991, a decline of 19.4 percent compared to 1990. Reduced demand for Wabush's product resulted in a 10 week shutdown of the operation from July 1 to September 15, 1991. As well, a meeting of Wabush Mines shareholders in September 1991 resulted in planned annual production levels of 4.5 million tonnes until 1994. This scaling down of operations is the result of high production costs and the bankruptcies of two of the mine's key American shareholders, Wheeling Pittsburgh Steel Corporation and LTV Steel Company. Because of the scaling down, 115 employees were laid off from Wabush's Labrador operations late in 1991.

Several mining establishments that operated on the Island portion of the Province during 1990 have closed either permanently or for an indefinite period of time. These closures negatively impacted mining output in 1991.

The zinc mine in Daniel's Harbour, operated by Newfoundland Zinc Mines Limited, shut down during the third quarter of 1990 because of depletion of ore reserves. The official closing of the operation took place late in November 1990. Newfoundland Zinc Mines Limited employed about 150 persons during normal production and contributed over $50 million to the total value of mineral shipments in both 1988 and 1989.

St. Lawrence Fluorspar Ltd. started producing fluorspar in March 1987. The company operated on a year-round basis and had an annual capacity of 85,000 dry metric tonnes. Operations at this facility ceased on November 16, 1990 because of a lack of orders for its product. The company was placed in receivership in late January 1991 and bankruptcy followed in early February. The receivers are attempting to sell the operation. St. Lawrence Fluorspar Ltd. employed an

average of around 100 persons when the facility was operating and contributed over $6 million to the total value of mineral shipments in both 1988 and 1989.

Production of gold in the Province fell significantly in 1991 compared to the previous year because of the May 24, 1991 closure of Hope Brook Gold Inc., the Province's only gold producer. The company ceased production because of problems relating to environmental control. The closure of the operation resulted in the immediate loss of about 250 jobs. Since the closure (September 12, 1991), B.P. Canada, owner of Hope Brook Gold, announced its intention to sell its mining assets including the Hope Brook Gold mine. All 70 remaining employees, except for security staff, were given layoff notices effective December 31, 1991. On December 18, 1991 Royal Oak Mines Inc. entered into an agreement with Hope Brook Gold Inc. to purchase the mine. Pending finalization of the acquisition, the Hope Brook Gold mine could re-open by the summer of 1992.

Hope Brook Gold Mine could re-open in 1992

Open pit mining and dry processing of asbestos at Baie Verte ceased in mid-February 1991 because economic ore reserves were depleted. The operation employed approximately 350 people when it was operating and contributed between $25 and $30 million to the total value of production in 1988, 1989 and 1990. Despite the closure, asbestos continued to be produced from Baie Verte in 1991 because of the new wet milling process employed at the site. This new process recovers asbestos fibre from tailings discarded as waste from the dry mill. The new wet mill, originally operated by Baie Verte Mines Reprocessing Inc. (BVMRI) began production on August 1, 1990 but was shut down in February 1991 because of an ownership dispute. Teranov Mining Corporation acquired the assets of BVMRI on May 30, 1991 and the mill resumed production at the end of July. Shipments of asbestos totalled approximately 4,600 tonnes during 1991. This includes some production from the dry mill which operated during the early part of 1991. Teranov temporarily shut down as of December 20, 1991 because the tailings were freezing, thus causing poor fibre recovery. The company must overcome this problem if they are to operate during the winter months. In the meantime, however, production is expected to resume as soon as the weather permits.

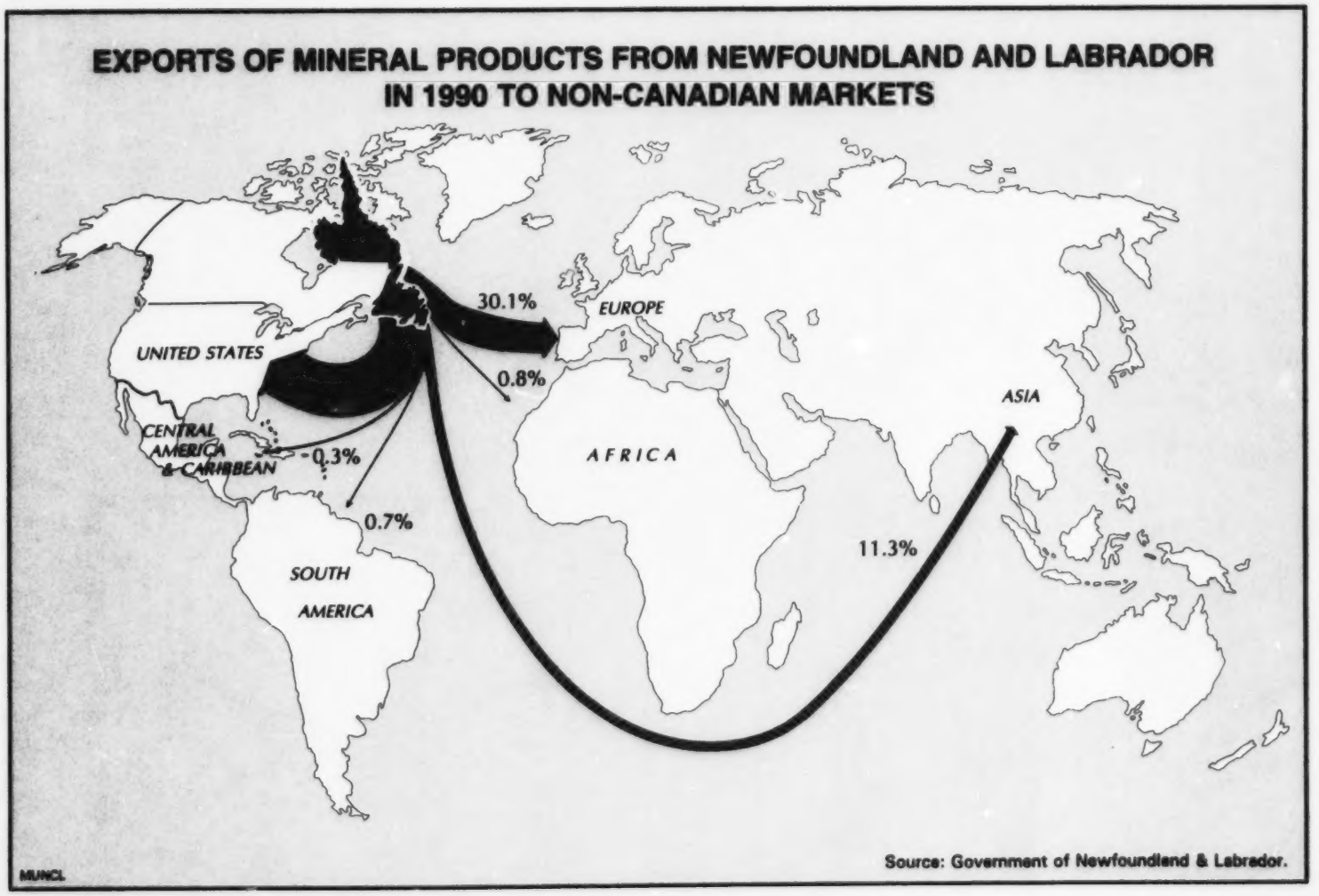
Newfoundland Resources & Mining Company Limited, a subsidiary of Explaura Holdings P.L.C. of England, commissioned its aggregate limestone operation in the spring of 1990. This operation, located at Lower Cove on the Port au Port Peninsula, ships primarily to markets in the eastern seaboard of the United States. Concrete and paving stone are the main end uses of the product. In early July, Newfoundland Resources began reprocessing its finished stockpile to produce aggregates which more closely match market requirements. The reprocessing was completed near the end of July, at which time quarrying and processing of new material resumed. Newfoundland Resources is developing a high purity limestone deposit near its present operation. A road to this deposit was completed during the fourth quarter of last year and approximately 55,000 tonnes were drilled and blasted. Processing of this material will begin in the spring. The company plans to start shipping high purity products from this deposit in 1992; these products have a variety of non-aggregate industrial applications. Shipments during 1991 totalled 387,000 tonnes of limestone, more than double shipments in 1990 and employment averaged 24 persons during the year. The plant and quarry at this seasonal operation closed for the winter on December 6, however, shipping will continue throughout the winter.

The gypsum mine at Flat Bay, owned by Domtar Inc., ships gypsum to eastern North America for use in the manufacture of cement and gypsum wallboard. Shipments declined in 1991 compared to 1990 because of weak markets. Crushing and shipping at this operation shut down for the winter during the fourth quarter of 1991. Production is scheduled to resume during the second quarter of 1992.

There are several other seasonal mineral operations in the Province. These establishments produce a variety of products including pyrophyllite, brick, cement and limestone. Performances at these operations during last year were generally not as strong as that recorded in 1990 due mainly to weaker markets. All operations are closed for the winter and are scheduled to re-open during the second quarter of 1992.

Mineral exploration is also an important component of the mining industry. This sector of the industry has been adversely affected by several factors over the last few years including: fewer incentive programs offered by the Federal Government; the economic recession experienced in North America; and weak metal prices. Exploration expenditures in 1991 are estimated at about $12.0 million compared to $23 million in 1990. The number of new claims staked during 1991 totalled 7,986, a decrease of 24 percent compared to 1990. The number of claims in good standing as of December 31, 1991 stood at 33,615, the lowest recorded at the end of a quarter

Map 5


EXPORTS OF MINERAL PRODUCTS FROM NEWFOUNDLAND AND LABRADOR
IN 1990 TO NON-CANADIAN MARKETS
30.1%
EUROPE
UNITED STATES
0.8%
ASIA
CENTRAL
AMERICA
& CARIBBEAN
0.3%
AFRICA
0.7%
11.3%
SOUTH
AMERICA
MUNCL
Source: Government of Newfoundland & Labrador.

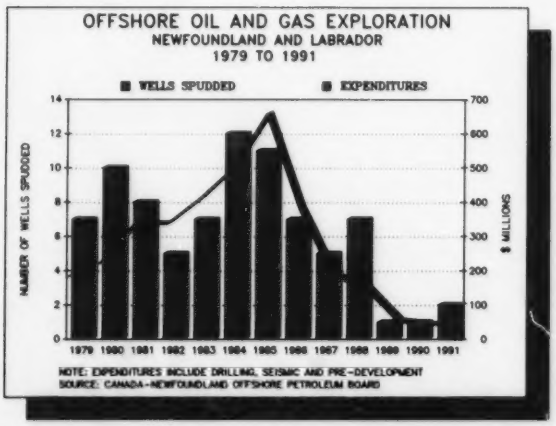
since the second quarter of 1987. Employment in this sector of the industry was estimated at 75 persons in 1991 compared to employment of 300 persons and more in recent years.

The 1992 outlook for the mining industry is mixed. Mineral exploration expenditures are expected to decline again this year as is the total value of mineral shipments. The decline in the value of shipments is primarily due to lower iron ore shipments and prices. As well, layoffs in the iron ore industry in late 1991 and early 1992 will negatively impact mining industry employment this year. On a more positive note, asbestos shipments should increase significantly this year and shipments of cement, pyrophyllite, brick, gypsum and limestone are projected to increase. In addition, there is a possibility that the Hope Brook Gold Mine will re-open. As well, development of a new gold mine may begin in 1992. Novagold Resources Inc. has registered the Pine Cove gold deposit, located on the Baie Verte Peninsula, for environmental assessment. The company would like to start construction on this project by mid-1992.

Oil and Gas

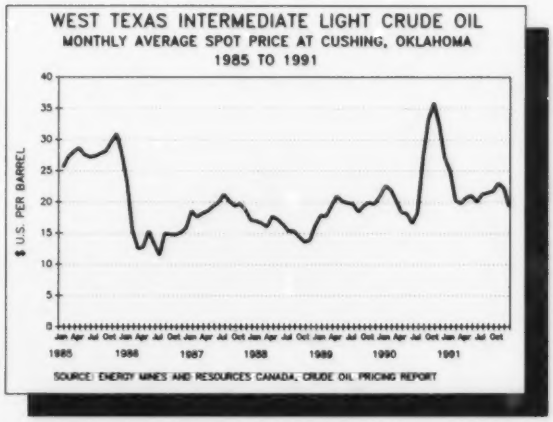
Exploratory drilling for hydrocarbons beneath the continental shelf off the coast of Newfoundland and Labrador, comprising an area of 1.66 million square kilometres, began in 1966. Since that time, there have been 20 significant discoveries of hydrocarbons. The number of wells spudded peaked in 1973 when 17 exploration wells were drilled. The level of activity declined until the discovery of the

Diagram 12


OFFSHORE OIL AND GAS EXPLORATION
NEWFOUNDLAND AND LABRADOR
1979 TO 1991
WELLS SPUDDED
EXPENDITURES
NUMBER OF WELLS SPUDDED
$ MILLIONS
1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991
NOTE: EXPENDITURES INCLUDE DRILLING, SEISMIC AND PRE-DEVELOPMENT
SOURCE: CANADA-NEWFOUNDLAND OFFSHORE PETROLEUM BOARD

Hibernia oilfield. The Hibernia P-15 well was drilled in 1979, and the magnitude and quality of the Hibernia discovery prompted an intensive period of activity for the oil and gas exploration industry. The discovery, coupled with high world oil prices and the introduction in 1980 of Petroleum Incentive Program (PIP) grants, also provided substantial incentives to increase levels of offshore exploration activity. Between 1980 and 1985, exploration expenditures increased at an annual average rate of 23.4 percent, peaking at $646.0 million in 1985. As indicated in Diagram 12, expenditures declined in almost every year since then in response to a number of factors including lower world oil prices and the withdrawal of PIP grants in 1986. While expenditures remain low when compared to most of the 1980s, exploration spending increased to $54.5 million in 1991 from $42.4 million in 1990.

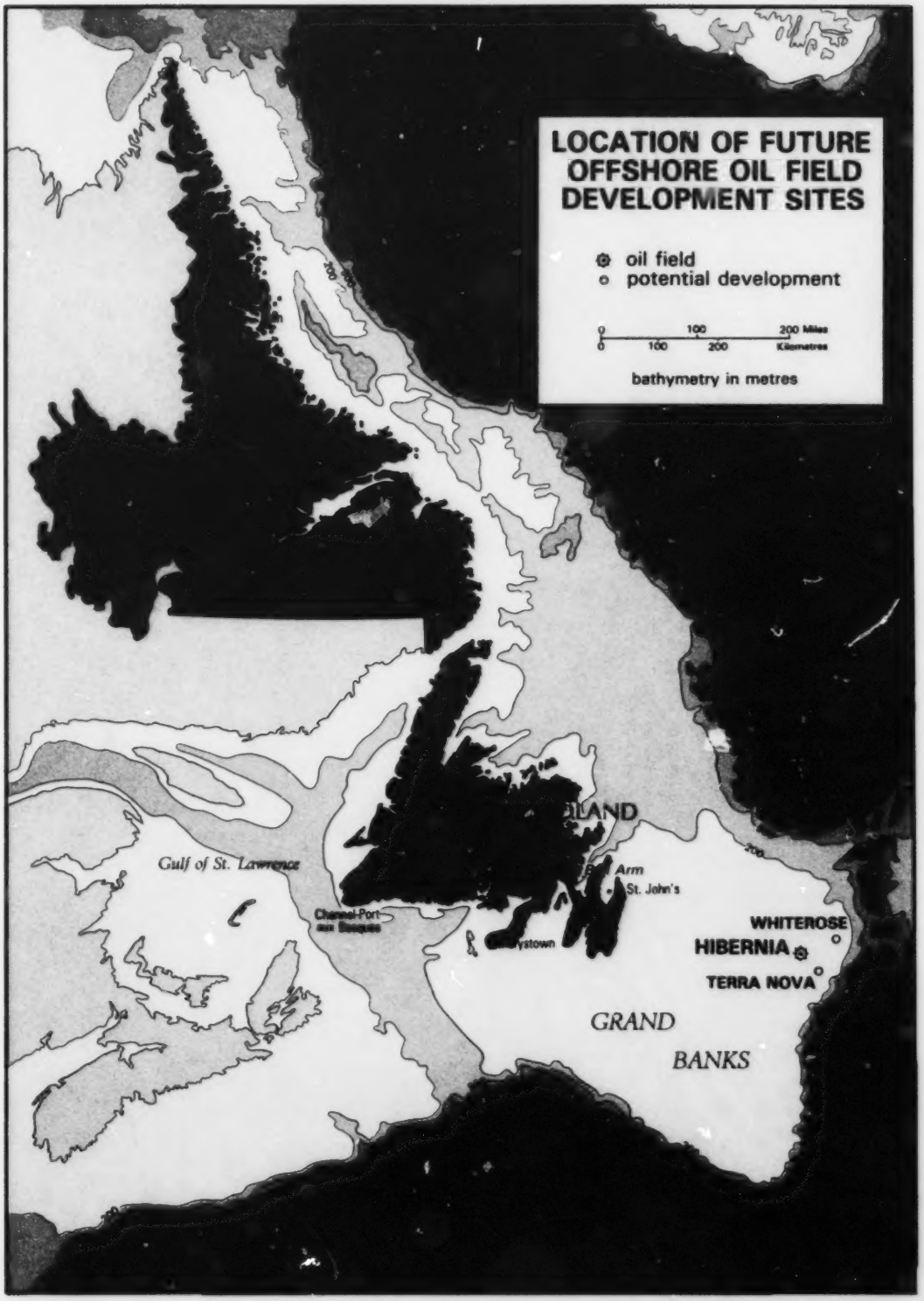
Diagram 13


WEST TEXAS INTERMEDIATE LIGHT CRUDE OIL
MONTHLY AVERAGE SPOT PRICE AT CUSHING, OKLAHOMA
1985 TO 1991
$ U.S. PER BARREL
1985 1986 1987 1988 1989 1990 1991
SOURCE: ENERGY MINES AND RESOURCES CANADA, CRUDE OIL PRICING REPORT

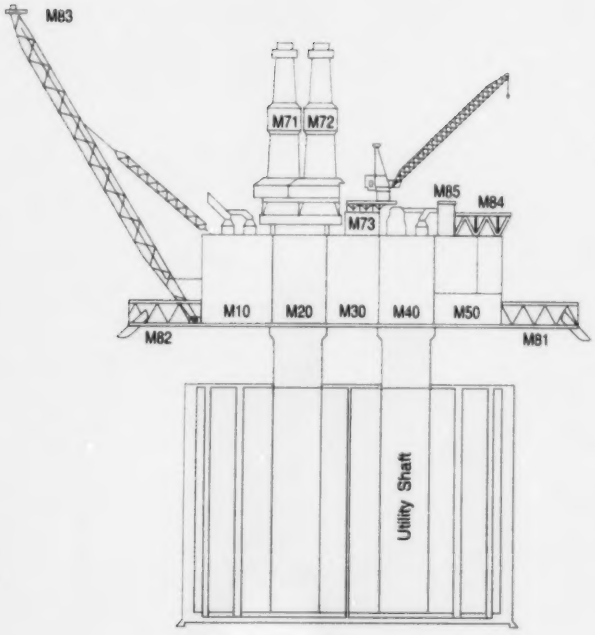
Oil prices, as measured by the monthly average spot price for West Texas Intermediate light crude oil (a North American benchmark price) averaged US$21.49 per barrel during 1991, a decline of 12.2 percent from the 1990 average price. Monthly average crude oil prices declined from US$25.08 in January to US$19.51 per barrel in December. Crude oil prices in the latter part of 1990 and early 1991 had been buoyed by the crisis in the Persian Gulf and the threat of a supply interruption. The United Nations' invasion of Iraq in January of last year and the speedy resolution of the conflict resulted in a return to market fundamentals near the end of the first quarter. Subsequently, high levels of output by producing OPEC members together with low demand resulted in crude oil prices hovering in the $US20 to $US22 per barrel range, as illustrated in Diagram 13.

The Canadian oil and gas exploration and production industry performed poorly in 1991. The total number of exploration and development wells drilled numbered 5,311 with about 6.4 million metres drilled in 1991, down by 9.7 and 8.4 percent respectively from 1990. The downturn in 1991 drilling was

Map 6

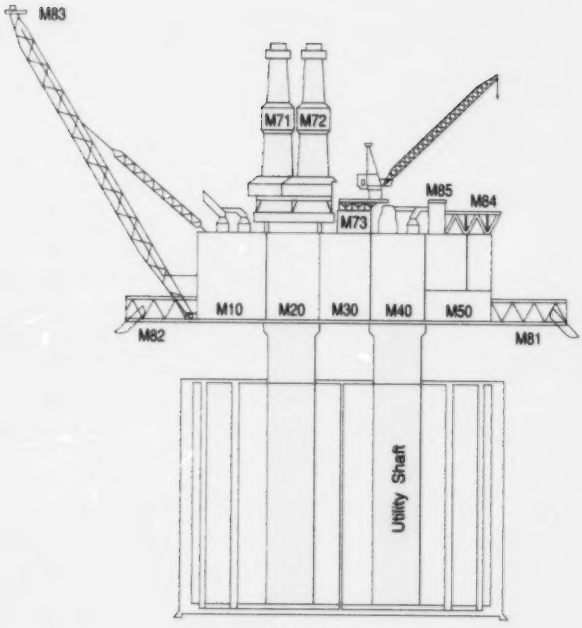

LOCATION OF FUTURE
OFFSHORE OIL FIELD
DEVELOPMENT SITES
oil field
potential development
0 100 200 Miles
0 100 200 Kilometres
bathymetry in metres
Gulf of St. Lawrence
Arm
St. John's
WHITEROSE
HIBERNIA
TERRA NOVA
GRAND
BANKS

Hibernia Production Facility



Components to be Constructed in Newfoundland

	Gravity Base Structure
M20	Wellhead Module
M84	Helideck
M85	Air Control Module[1]
M81	Main Lifeboat Station
M82	Auxiliary Lifeboat Station
M83	Flare Boom



Components to be Constructed in Canada[4]

M71	Drilling Derrick
M72	Drilling Derrick
M73	Drillers Office and Piperack[2,3]
	Decks and Pre-Assemblies[2]

[1]No longer part of production platform.

[2]Provided there are three qualifying Canadian Bidders.

[3]Best efforts to construct in Newfoundland.

[4]In addition, best efforts to fabricate one of modules M30, M40, M50 or M10 in Canada.

Source: Canada-Newfoundland Offshore Petroleum Board.

The Hibernia Project

The development of the Hibernia project commenced in 1990. This project has been and will continue to be a strong economic force within Newfoundland and Labrador. The construction phase of the Hibernia project is expected to last until 1996 when the completed facilities are scheduled to be towed to, and installed at, the offshore production site. Actual oil production is expected to commence in 1997 and run until 2014. Total Newfoundland employment during the construction phase is estimated at about 11,500 person-years out of a total of 15,000 person-years in Canada as a whole. Capital expenditures during the pre-production construction phase are estimated at $5.2 billion with a further $3.3 billion required in well completion expenditures after start-up. During the production phase of the project approximately 16,600 person-years of employment will be created in the Province and operating expenditures will total $10 billion.

Components of the Hibernia production facility which are to be constructed in Newfoundland and other parts of Canada are illustrated in the figure on the facing page. The production facility consists of two main components; the Gravity Base Structure (GBS) and the topsides.

The GBS is a multi-compartment storage reservoir and base for production facilities. It consists mainly of a cylindrical caisson which rests on the sea bottom, and of four columns extending above the sea level to support the topsides facilities. These columns are the continuation of shafts, located within the caisson. The GBS will be constructed in the Province.

The GBS contract was awarded in September 1990 to Newfoundland Offshore Development Constructors (NODECO). The estimated value of the contract is $1.3 billion. The contract includes: the development of the construction site at the 1,600 hectare location in Bull Arm; the physical construction of the GBS; engineering of the concrete structure and its mechanical components; prefabrication and development of the mechanical outfitting; execution of marine operations (hook-up, tow-out etc.); and installation of the completed platform at the oilfield site. The development of the Bull Arm construction site includes a 7.5 kilometre access road from the Trans Canada Highway, a GBS construction area, a GBS deep water site, a topsides assembly area and a 3,000 person accommodation camp.

The topsides facilities will consist of five large modules and seven smaller units, called Topside Mounted Structures (TMS), as shown in the figure. The five modules are the Process module (M10), the Wellhead module (M20),the Mud module (M30), the Utility module (M40) and the Service/Quarters module (M50). These five modules will be welded together to form an integrated deck. The M10 Process Module will contain crude oil processing equipment needed to treat the oil prior to onboard storage. The M20 Wellhead Module will house the wellheads, production control system, blowout preventers and drilling related equipment. The drilling derricks (M71 and M72) will be mounted on this structure. The M30 Mud Module will contain various high pressure pumps for cementing, drilling and for water injection. In addition, the platform cranes will be mounted on this structure. The M40 Utility module will contain generating equipment, workshops and electrical switchgear. The M50 Accommodations Module will accommodate 280 people in double cabins, and will also contain laundry, dining, recreation, hospital, and office facilities. The seven TMS include the helideck, the main and auxiliary lifeboat stations, two drilling derricks, the drillers offices and piperacks, and the flare boom.

Other components to be constructed in Newfoundland, in addition to the GBS, include the Wellhead Module, the main and auxiliary lifeboat stations, the flare boom and the helideck, as depicted in the figure.

Newfoundland Offshore Consultants (NOC) was awarded the approximately $360 million engineering/procurement services contract for the Topsides in September of 1990. This contract entails the responsibility for preliminary engineering, detailed engineering and procurement. In addition NOC is to provide project management and support services to the Hibernia Management and Development Company (HMDC).

In September 1991, PCL-Acker Stord-Steen-Becker (PASSB) was awarded a $350 million contract for design, procurement and construction of the topsides site facilities and fabrication of the M20 wellhead module and four of the topsides mounted structures. These TMS are the helideck, flare boom, and main and auxiliary lifeboat stations.

Contracts for the other four modules, the two drilling derricks and the drillers offices and piperacks have not yet been awarded.

Once construction of the GBS and topsides modules is completed, the topsides will be mated with the GBS. This is expected to occur in early 1996. The production platform will be towed out to the Hibernia field during the summer of 1996 and drilling will begin in early 1997. Oil production is projected to commence in the latter half of 1997.

precipitated by lower oil and gas prices since 1986 which eroded producer profit margins. Increased revenues as a result of higher crude oil prices in the latter half of 1990 were used mainly for debt retirement rather than increased exploration. Other factors affecting drilling activity have been high Canadian interest rates which have resulted in increased financing costs for exploration and production activities, and a strong Canadian dollar which negatively impacted revenues derived from exports to the United States. The decline in exploration and development drilling is a continuation of a trend that began in 1986 with the collapse of crude oil prices.

There were two exploratory wells drilled offshore Newfoundland during 1991. This compares to only one well drilled in 1990. The two wells resulted in 6,838 metres drilled, bringing the total number of metres drilled offshore to 491,918. British Petroleum Resources Canada Ltd. began drilling the Thorvald P-24 wildcat well on June 24, 1991. The well was spudded by the semi-submersible drilling rig *The Treasure Searcher* and was completed on September 4, 1991. Another operator, Mobil Oil Canada Ltd., began drilling the Botwood G-89 exploratory well on September 6 using the same rig. The well was abandoned on October 11, 1991 and the rig headed for the North Sea.

Other exploratory work continued during 1991 as a number of firms undertook geophysical/geological programs. These exploratory programs generally precede any drilling activity and involve a seismic survey of the seabed to obtain a subsurface geological profile. The total number of seismic kilometres shot in 1991 was 25,659 bringing the total number of kilometres surveyed to date to 564,892. The Hibernia Management and Development Corporation (HMDC) began a three dimensional seismic program of approximately 21,000 kilometres in June of last year; this program was completed in early October. Other operators involved in offshore seismic research last year included Mobil Oil, BHP Petroleum, Hunt Oil and Western Geophysical.

The 1991 Canada-Newfoundland Offshore Petroleum Board Call for Bids for offshore acreage resulted in four parcels receiving bids. The Bids cover 520,772 hectares with associated expenditures of $7.3 million. This results in an offshore area of approximately 2.8 million hectares held under licence by various oil companies. Three of the parcels that were bid this year are located on the Grand Banks, east of the Hibernia oilfield, while the fourth parcel is off the coast of western Newfoundland.

Regulations for exploration of the onshore portion of the Province were announced in February of 1991. The *Newfoundland and Labrador Petroleum Regulations, 1991* outlines regulations and procedures for exploration and development of onshore land areas. Exploration activity on the onshore portion of the Province predates any offshore exploration. The presence of oil on the Great Northern Peninsula was indicated as early as 1812. The first well was drilled at Parson's Pond in 1867 and since then a total of 60 wells have been drilled. Most of these wells were shallow and generally were less than 1,000 metres. To facilitate further onshore exploration a Call for Postings was issued in May of 1991. The level of interest shown by the oil industry warranted a December 4, 1991 issuance of a Request for Bids. Fourteen parcels of land with a total area in excess of 500,000 hectares are listed in the 1991-92 onshore land offering.

The signing of the agreement on September 14, 1990 to develop the Hibernia offshore oil field, and subsequent project development, was a positive influence in the Newfoundland economy during 1991. Employment related to the Hibernia project as of December 31 consisted of 1,060 people working at the Bull Arm construction site, 409 persons employed in St. John's, 680 persons employed in Montreal, 7 persons employed in Calgary and 242 persons working in Paris, France. Expenditures to the end of December 1991 totalled approximately $434.8 million of which 38 percent was spent in Newfoundland, 40 percent in other parts of Canada and 22 percent outside of Canada.

There were some 214 contracts greater than $100,000 awarded to the end of December 1991. The largest contract awarded in 1991 was the September 25 award of the M20 contract to PCL-Aker-Stord-Steen-Becker (PASSB). This contract, with an estimated value of over $350 million, includes fabrication of the M20 well-head module, helideck, flare boom and main and auxiliary lifeboat stations. In addition, PASSB will design and construct the topsides facilities at Bull Arm. Direct employment from this contract is estimated at four million person hours with over 3.8 million person hours based in Newfoundland.

Work at the Bull Arm site during 1991 included dredging, construction of access roads to various areas of the site, camp construction, and site preparation. The berm for the GBS drydock is now completed and work is proceeding on the drydock construction. The GBS quay is nearly completed and the topsides laydown area and quay are presently under construction. The Hibernia production facility is discussed in more detail in the box on the previous page.

Gulf Canada Resources Ltd., a 25 percent shareholder in the Hibernia megaproject, announced on February 4, 1992 that it intended to withdraw from the Hibernia project. Ten days later the three remaining partners (i.e., Mobil Oil Canada, Petro-Canada and Chevron Canada Resources) indicated that the Gulf withdrawal from the project necessitated a rescheduling of the project. This will result in a one year delay in project completion and an associated slowdown in project expenditures. Total expenditures to develop the Hibernia project have not been revised, however, the delay in project completion, which will of necessity alter the timeframe of expenditures, has led to a reduction in planned expenditures this year from $3.0 million to $1.5 million per day. Most work at the Bull Arm site has been rescheduled because of the one year delay; work on the concrete gravity base component of the production platform has been halted until the fall of 1992; and the awarding of contracts for the topsides modules has been delayed. Employment on the Hibernia project was immediately reduced by 450 persons and an additional 200 layoffs are expected later in the year. Nevertheless, both monthly average employment and expenditures on the Hibernia project in 1992 will be higher than they were in 1991.

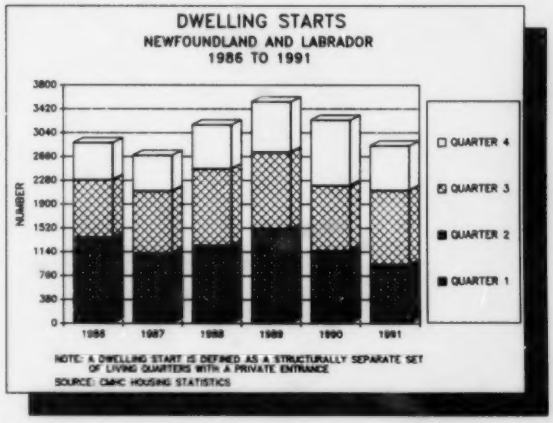
The outlook for 1992 is generally positive for the oil and gas sector even though work on the Hibernia project will proceed at a slower pace than had been initially planned. Mobil Oil Canada, Petro-Canada and Chevron Canada Resources remain committed to the Hibernia project and efforts to secure a new partner to replace Gulf Canada Resources are well underway. In the meantime, the increase in both expenditures and average employment related to the ongoing development of Hibernia over 1991 levels will provide a boost to Provincial economic activity in 1992. In addition, there are two exploration licences that require wells to be drilled in 1992 in order for the licences to be continued for further exploration.

Construction

The construction industry is a major component of the Province's goods producing sector. The level of activity in this industry was higher in 1991 than in the previous year. Performance among industry players, however, varied considerably by type of builder with those segments of the industry accessing work related to the Hibernia development generally accounting for the improved performance. Residential construction activity was lower last year, the result of several factors including the introduction of the GST and the general effects of the recession. Activity in the non-residential sector, which is comprised of building and engineering construction, was boosted by the preparatory work associated with the development of the Hibernia oilfield. The higher level of activity translated into a monthly average increase of 1,000 in construction employment in 1991.

According to the Statistics Canada *Labour Force Survey*, employment in the Province's construction industry in 1991 amounted to 11,000 on a monthly average basis. This was an increase of 10 percent over the 10,000 figure recorded for 1990. On a monthly basis, the largest gains accrued late in the year; employment in the fourth quarter of 1991 was 30 percent higher than in the same quarter of the previous year. Peak employment occurred in October when monthly employment rose to 16,000.

Diagram 14



The residential sector of the construction industry experienced a difficult year in 1991. In new home construction, the number of housing starts fell by 12.6 percent to 2,836 units; housing starts fell in three out of four quarters as Diagram 14 shows. Starts declined in the first and second quarters lowering activity for the first half of 1991 by 18.8 percent. Most of the loss recorded in the first six months was offset by a 13 percent increase in starts in the third quarter. The resurgence in activity, however, was short-lived as starts fell by 31.6 percent in the fourth quarter.

Construction of both single and multiple dwelling structures declined in 1991 (see Table 8). Multiple activity was down in both urban (i.e., areas with a population of 10,000 or more) and rural (population less than 10,000) parts of the Province. A decline in the number of single starts last year was the result of a 27.7 percent drop in urban activity. This decline more than offset a one percent increase in the number of single homes started in rural areas.

New home construction varied considerably between urban and rural areas of the Province in 1991.

In rural areas, the total number of dwellings started (single and multiple combined) amounted to 1,363 units, essentially unchanged from 1990. In urban centres, however, starts plunged by about 22 percent to 1,473 units. The decline in starts in urban centres was particularly significant for the residential contracting industry because most industry built homes are constructed in urban centres. This is in contrast to rural areas where many homes are owner built. Housing starts in urban centres fell in each quarter of 1991. In the St. John's Metropolitan Area, which generally accounts for more than 70 percent of the urban housing start activity in the Province, starts fell by 22.7 percent. The drop in new home construction in this area reflected factors such as low consumer confidence, the introduction of the GST and the effects of the recession. As well, industry analysts believe that an oversupplied resale market limited the speculative building market in the St. John's area last year.

Table 8

HOUSING STARTS BY TYPE OF DWELLING NEWFOUNDLAND AND LABRADOR 1990 AND 1991

Dwelling Type	1990	1991	Percent Change
Single detached	2,468	2,135	-13.5
Multiple	777	701	-9.8
Semi-detached	74	34	-54.1
Row	36	140	288.9
Apartment & Other (1)	667	527	-21.0
Total	**3,245**	**2,836**	**-12.6**

Notes: (1) Other includes duplexes, double-duplexes, triplexes, row-duplexes and dwellings over, or at the back of, a store or other non-residential structure.

Source: Canada Mortgage and Housing Corporation; Economic Research and Analysis Division, Cabinet Secretariat.

Mortgage interest rates were quite favourable for homeowners in 1991 (see ***Real Estate Market***). The positive impact of lower rates, however, was offset by the economic uncertainty created by the recession. Interest rates continued to fall last year as they have done since the summer of 1990. At the end of December, rates for one and five year contracts stood at 8.50 and 9.90 percent respectively, the lowest mortgage interest rates since 1973.

Rural home construction activity behaved quite differently from urban construction in 1991 as rural starts actually were maintained at the previous year's level. This is particularly surprising given the failure of the inshore fishery and the effects which this might be expected to have on rural home building activity. One possible explanation for the differences between rural and urban starts lies in the *pay-as-you-go* approach to home building which continues to be practised throughout much of rural Newfoundland. In urban centres, where land is expensive and homes are most often financed by lending institutions which hold a mortgage against the property, it is commonly the case that a house is completed within a few months from the time that it is started; that is, starts and completions usually occur within the same year. This is often not the case in rural parts of the Province where *pay-as-you-go* construction of a home may take place over several years.

New home construction activity varied between urban and rural areas

The *Starts and Completions Survey* carried out by Canada Mortgage and Housing Corporation (CMHC) is the main source of statistics pertaining to new housing construction activity in the Province. For purposes of this survey, CMHC defines a "start" as "*the beginning of construction work on a building, usually when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure.*" Clearly then, a CMHC defined "start" in rural areas can be made with a minimal of cash outlay in a given year since homes are often built on very low cost land using owner supplied inputs (e.g., some building material, labour, etc.) in the early stages of construction. Those inputs which must be purchased for the activity to be considered a "start" by CMHC are few, and are often purchased on a cash basis at the close of the fishing season in the year preceding the housing start. One possible explanation for the resilience in rural housing starts in 1991 lies in the fact that many home builders in rural communities in the Province require little cash outlay to start a home and some may have purchased the necessary supplies to start a house in 1990. Where the failure of the fishery would be expected to have its greatest impact on home building activity in 1991 would be in the area of "completions", not "starts".

There were 3,219 new homes completed during 1991, an increase of 2.9 percent over the previous year. While the number of housing starts was essentially unchanged in rural parts of the Province, the

number of houses which were completed fell by 13.9 percent. The sharp drop in rural "completions" most likely also reflects the *pay-as-you-go* approach to home building in much of rural Newfoundland. For purposes of the *Starts and Completions Survey*, CMHC defines a "completion" as "*the stage at which all the proposed construction work on a dwelling unit has been performed, although under some circumstances a dwelling may be counted as completed where up to 10 percent of the proposed work remains to be done.*" Unlike in the case of a CMHC defined "start", many of the inputs required for a new home "completion" (e.g., the doors, windows, and associated hardware; exterior siding or roofing material; lighting fixtures and floor coverings, etc.) must be purchased by the home owner at a sizeable cost. The failure of the fishery would clearly have impaired the ability of rural home builders to purchase the inputs required to complete a home.

In urban centres of the Province, new home completions rose by 18.4 percent last year, enough to offset the sharp decline in rural completions. The net result of the changes observed in housing starts and completions during the year was a 10.5 percent decrease, to 2,867 units, in the number of homes under construction at the end of December. Not surprisingly, given the rural starts and completions data, the bulk of these homes were located in rural areas where the number of units under construction rose by 7.2 percent. In urban centres, where starts declined and completions rose, the number of new homes under construction was down by about 33 percent.

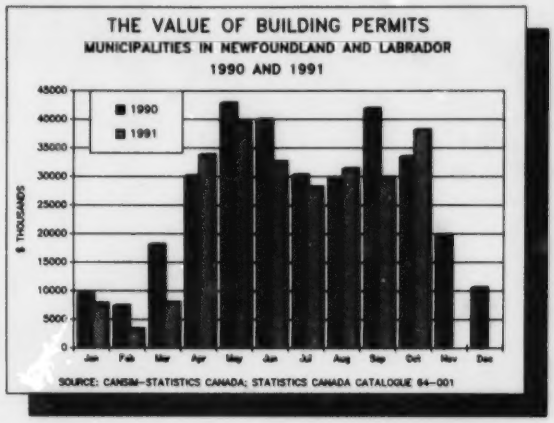
In February of this year the Federal Government announced two initiatives aimed at stimulating housing markets across the Country. On February 3, it was announced that the downpayment requirement on CMHC insured mortgage loans had been reduced from 10 to 5 percent for first-time homebuyers. As well, in the February 1992 budget, the government announced the *Home Buyers' Plan*. This initiative

Initiatives announced to stimulate housing markets across the Country

allows homebuyers to withdraw existing funds from their registered retirement savings plans (RRSPs) to finance the purchase of a home without having to pay tax on the withdrawal provided it is repaid in subsequent years at prescribed rates. Under this new initiative, homebuyers can borrow up to $20,000 of existing funds and take up to 15 years to repay the money. These measures, combined with low interest rates, should stimulate the new and existing housing markets in 1992.

The latest figures from Statistics Canada's *Building Permits Survey* indicate that in the first ten months of 1991, about $251.5 million in building permits was issued by municipalities in the Province (see Diagram 15). This figure represented a decline

Diagram 15



of 10.9 percent from the same period in 1990. The categories mainly responsible for the decline were residential and commercial permits. From January to October, these categories combined accounted for a $55 million decline in permit values. There were 1,735 dwelling unit permits issued in the first ten months of last year, a decline of 18.5 percent from the same period in 1990.

Hibernia provides a considerable boost to construction activity

An important contributor to the performance of the construction industry during 1991 was the work being carried out for the development of the Hibernia oilfield. The main construction site for the project is located at Great Mosquito Cove in Bull Arm, Trinity Bay. Activities at the site will include construction of the Gravity Base Structure (GBS), assembly of the topsides, and mating and hook-up of the completed topsides to the GBS. Employment at the Bull Arm site totalled 1,060 at the end of 1991. Activities at the site last year included construction of a drydock, access roads to various areas in the site, camp construction and site preparation. For further details concerning the Hibernia project, readers should consult the *Oil & Gas* section of this publication.

Activity in the construction industry in 1992 is expected to be at about the same level as last year. Recessionary conditions are expected to continue and

this will constrain construction spending by non-Hibernia related business in 1992. Less demand for construction services from this segment will be offset by positive factors in other segments of the industry during the year. Initiatives announced in February by the Federal Government are expected to provide a slight boost to the Provincial housing industry; housing starts are forecast to increase by 1.2 percent in 1992. Capital expenditures by both the Federal and Provincial Governments on infrastructure such as buildings and roads will also make an important contribution to the industry during the year. The Hibernia project is the major bright spot in the Province's economy this year. Project expenditures and employment are forecast to increase over 1991 average levels so that the project is expected to have a positive impact on the Province's economy this year despite the slowdown in both the progress of the work and the level of planned expenditures.

Electric Power

The electric power industry encompasses both the production of electrical energy and its distribution to the end user. The dominant firms in this industry are Newfoundland and Labrador Hydro, a Provincial crown corporation, and Newfoundland Power, a private corporation. Newfoundland and Labrador Hydro generates most of the Province's electrical output and sells power to retailers and the Province's large industrial users such as mining companies, pulp and paper mills and the oil refinery at Come By Chance. Newfoundland Power supplies electricity to the majority of residential and general service customers on the Island.

Since electricity is used as an input into the productive activities of all industries, the performance of this industry is closely linked to that of the overall economy. Electricity demand depends to a large extent on the productive activities of the mining and manufacturing industries, the stock of residential and non-residential buildings and the trend toward increasing reliance on electricity for heating purposes.

Electricity requirements from Newfoundland and Labrador Hydro increased by an estimated 1.5 percent in 1991 despite lower economic activity in the Province. Growth of 2.8 percent in Island consumption was more than sufficient to offset a 2.2 percent decrease in Labrador consumption. Lower demand in Labrador was primarily the result of lower electricity requirements by the iron ore mines in Labrador West. Increased demand on the Island resulted from higher requirements from both Newfoundland and Labrador Hydro's industrial and its utility customers. Industrial customers in 1991 consisted of Hope Brook Gold Inc., the three pulp and paper mills and Newfoundland Processing Limited which operates the oil refinery at Come By Chance. Higher demand from the pulp and paper mills and the oil refinery offset lower requirements by the gold mine. Utility customers consist of Newfoundland Power and customers in rural parts of the Province. Growth in consumption by utility customers was also recorded although this growth was not as strong as that recorded by industrial customers.

The volume of electricity sold by Newfoundland Power increased by 1.4 percent in 1991 due to an increase in consumption by the domestic or residential sector. Increased consumption is attributable to colder weather as well as to a continued high installation rate of electric heating systems.

Electricity prices rose in 1991. Newfoundland and Labrador Hydro increased its industrial rates by 4.7 percent on January 1, 1991. The wholesale rate charged by Newfoundland and Labrador Hydro to Newfoundland Power was not changed during 1991, with the exception of the annual adjustment to the Rate Stabilization Plan (RSP) which resulted in a 1.5 percent increase at the consumer level. Newfoundland Power did not have any independent rate increases.

Electricity prices will rise again in 1992. Newfoundland Power increased its rates by 2.2 percent on January 1, 1992. In addition, Newfoundland and Labrador Hydro has applied to the Public Utilities Board for a 3.8 percent increase in the wholesale rate it charges Newfoundland Power, effective May 1, 1992. This increase, if approved, will result in a price hike of about 2.3 percent to the end user.

Negotiations have been ongoing between the Province and Quebec with respect to possible development of hydroelectric sites in Labrador. Such a development would be of enormous economic benefit to the Province, enabling it to capture both the benefits of a large construction project and a long-term stream of reliable hydroelectric power at a stable price.

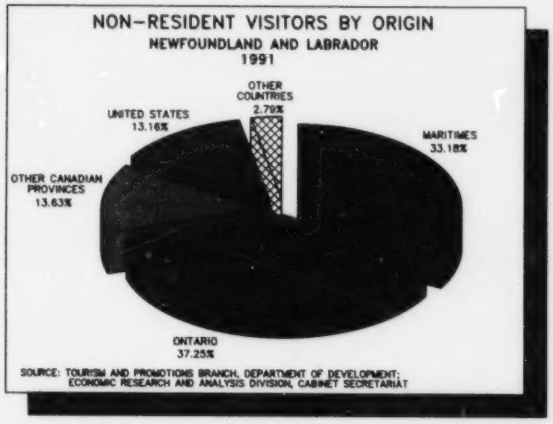
Slight growth in electricity consumption is expected in the residential sector in 1992. Little or no growth is forecast for commercial sector electricity consumption.

Tourism

The Newfoundland and Labrador tourism industry has been a traditional export of the Province's service sector. This industry encompasses both resident and non-resident travellers and includes: travel

for touring, sightseeing, outdoor sports and recreation; visits to friends and relatives; and travel for business related reasons such as conventions. Non-resident visitors to the Province come from all over the world including Japan, China, Western Europe, Asia and Central and South America. The largest percentage of non-resident tourists, however, come from other parts of Canada and the United States. In 1991, approximately 37 percent of all non-resident tourists arriving in the Province originated from Ontario while visitors from the three Maritime Provinces accounted for an additional 33 percent (see Diagram 16). Origins within the United States represented another 13 percent in 1991, with the New England States accounting for about one in four of these American visitors.

Diagram 16



Tourist expenditures represent a considerable cash flow and the economic benefits of such activities flow into both rural and urban areas of the Province. The tourism industry was responsible for creating an estimated 8,400 person-years of employment in 1991 shared between upwards of 12,000 individuals at peak season. This represents slightly more than four percent of monthly average employment in the Province and provides a significant source of seasonal employment, often in rural areas of the Province.

Those firms which benefit most from tourist expenditures are, with the exception of the airline industry, found almost exclusively in the Services (Community, Business and Personal) and Trade (Wholesale and Retail) industries. A decline in the level of activity in these industries in 1991 was due in part to declines in both resident and non-resident tourist activity. This decline was similar to declines experienced in the tourism industry throughout Canada. Overall, Provincial travel receipts reached $366.7 million in 1991, a 10.2 percent decline from the previous year (see Diagram 17). This decrease was comprised of a 10.4 percent decline in resident tourists expenditures and a 9.9 percent decline in non-resident expenditures. The total number of tourist trips declined by eight percent in 1991,the result of fewer resident and non-resident trips. These declines were due mainly to the recessionary conditions in both Canada and the United States, the high Canadian dollar and the introduction of the GST.

Residents of our Province accounted for an estimated 1.2 million tourist trips and spent approximately $249.2 million in 1991, down 7.7 and 10.4 percent respectively from the previous year (see Diagram 17). Resident tourists were responsible for 82 percent of total tourists trips and approximately 68 percent of total travel receipts in 1991. This indicates that the average tourist expenditure is, as would be expected, somewhat lower for residents than for non-residents. Nevertheless, resident travel is vital to the tourism industry. The decline in this sector was largely responsible for the overall industry decline in 1991.

Table 9

INDUSTRIES WHICH BENEFIT FROM TOURIST EXPENDITURES

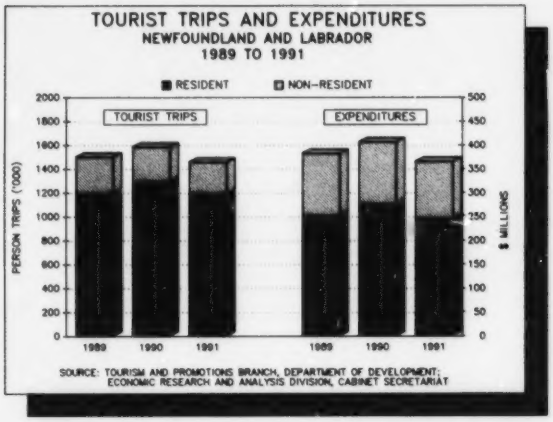
Community, Business and Personal Services	Wholesale and Retail Trade
Hotels, Motels and Tourist Clubs	Food Stores
Restaurants, Caterers and Other Food Services	Sporting Goods Stores
Camping Grounds and Travel Trailer Parks	Liquor, Wine and Beer Stores
Recreation and Vacation Camps	Gasoline Service Stations
Sports and Recreation Clubs and Services	Craft, Hobby and Souvenir Shops
Food Services	Prescription Drugs and Patent Medicine Stores
Travel Services	Clothing and Footwear Stores
Laundries and Cleaners	Florist Shops

Source: Standard Industrial Classification (1980); Economic Research and Analysis Division, Cabinet Secretariat.

The export component of the tourism industry consists of non-resident tourists travelling to the Province. In 1991 non-resident visitors comprised only 18 percent of all tourists, however, they were responsible for 32 percent of total tourist receipts. Thus these visitors have much higher expenditure levels per person compared to local tourists and are also vital to the tourism industry. An estimated 263,000 non-resident tourists visited the Province and

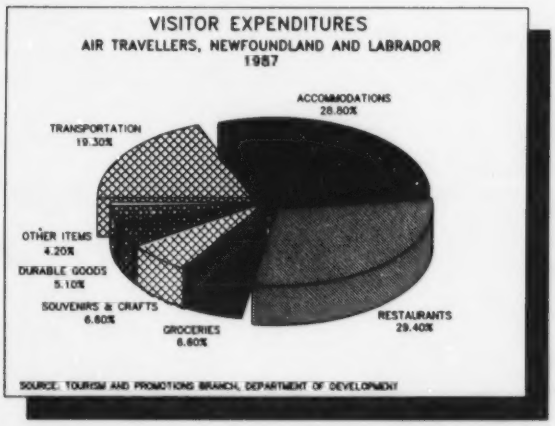
spent approximately $117.5 million in 1991. These levels represented decreases of 9.3 and 9.9 respectively over 1990 levels.

Diagram 17



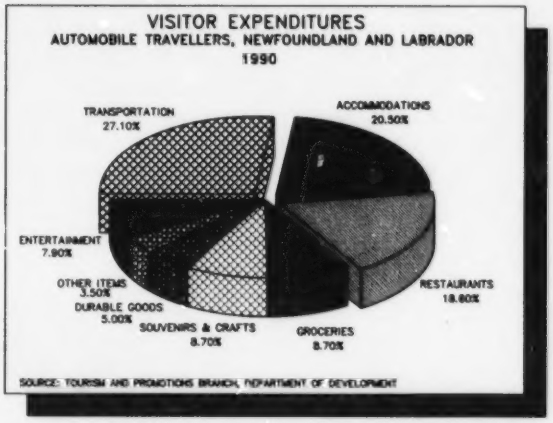
By mode of travel, tourists arriving in the Province by air were estimated at 152,000 in 1991, down by 13.6 percent from 1990. This was a significant decline for the tourism industry because this group typically has the highest per tourist expenditure level of all tourist groups. Total expenditures by this group was estimated at $73.6 million in 1991, a decrease of 13.7 percent from 1990 levels. Air travellers accounted for approximately 58 percent of all non-resident visitors, with average expenditures per visitor being nearly 23 percent higher than visitors arriving by automobile.

Diagram 18



According to the latest *Air Exit Survey* conducted in 1987, air travellers to the Province spend 72 percent of their non-transportation related dollars on accommodations and restaurant meals. In contrast, according to the *1990 Auto Exit Survey*, the comparable figure for automobile travellers was 53 percent. As would be expected, non-resident air travellers spend relatively more on accommodations and restaurant meals and relatively less on transportation and other goods and services than do visitors arriving by automobile. A more detailed breakdown of air and automobile travellers' expenditure patterns is provided in Diagrams 18 and 19.

Diagram 19



Most tourist activity, both resident and non-resident, takes place in the months from May to October with a concentration during the summer months. Indicators of tourist activity during these months include the number of cruise ship visits to the Province and the number of visitors to tourist chalets and Provincial and National Parks. These indicators showed mixed performance in 1991. There were 12 cruise ship stops in the Province in 1991, up from nine in 1990. Visits to the Provincial chalets were up 2.9 percent and campground use in Gros Morne National Park increased by 3.3 percent relative to 1990. On the other hand, Terra Nova National Park recorded a 15.6 percent decline in the number of camper nights during its 1991 season. The number of nights that campers spent in Provincial Parks also declined dramatically to 183,325 in 1991, a 46.6 percent decrease from the previous year. The greatest portion of this decrease was attributed to the ending of two Government programs in 1991 which affected the cost of camping for senior citizens as well as the cost of seasonal campsites.

The level of winter tourist activity as reflected in visits to the Province's two ski resorts also showed mixed performance in 1991. The Marble Mountain Ski Resort located in the Corner Brook area reported 65,275 skier visits during its 1991 season, down 20 percent from 1990. Reasons given for the decline include the recession and the mild rainy weather the area experienced early in the season which prevented

Map 7

LABRADOR
LABRADOR
Transportation Routes and Selected Points of Interest
National Historic Site
UNESCO World Heritage Site
Airport
Trans-Canada Highway
Provincial Road - Highway
Railroad
TORNGAT MOUNTAINS
Hebron
Hebron Mission
Nain
George River Caribou Herd
Hopedale
Moravian Mission
Churchill Falls
Happy Valley-Goose Bay
Labrador City
Trans-Labrador Highway
(Basque Settlement)
To Baie-Comeau
Red Bay
To Sept-Iles
Blanc Sablon
L'Anse aux Meadows
(Viking Settlement)
Ferry to Blanc Sablon
St. Anthony
St. Barbe
Boddickian
Ferry to Happy Valley-Goose Bay, Labrador
Port aux Choix
Viking Trail
GREAT NORTHERN PENINSULA
Jackson's Arm
Baie Verte
NORTE DAME BAY
Gros Morne National Park
Fogo
Twillingate
Whale Watching
Whale Watching
Deer Lake
Lewisporte
Wesleyville
Corner Brook
Marble Mountain
Grand Falls-Windsor
Gander
BONAVISTA BAY
Buchans
Mainland
Stephenville
Bonavista
Terra Nova National Park
Cape St. George
Port Blandford
Barachois Pond Provincial Park
NEWFOUNDLAND
Discovery Trail
Clarenville
TRINITY BAY
CONCEPTION BAY
St. Alban's
Whale Watching
Whitbourne
St. John's
Burgeo
Channel-Port Aux Basques
Harbour Breton
Argentia
Witless Bay Seabird Sanctuary
Frenchman's Cove
Fitzgerald's Pond Provincial Park
Grand Bank
Marystown
BURIN PENINSULA
Ferryland
Southern Avalon Caribou Herd
Ferry to Nova Scotia
0 50 100
Kilometres
MIQUELON
ST-PIERRE
Ferry to Nova Scotia
Cape St. Mary's Seabird Sanctuary
Source: Government of Newfoundland
MUNCL

A Note on Capital Projects in the Tourism Industry

Tourism has been a growth industry in Newfoundland and Labrador for a number of years and tourist expenditures represent a considerable cashflow in the Province. The level of tourist activity declined somewhat in 1991, part of a national decline associated with the 1990/91 recession. This decline was in sharp contrast to the overall positive trend for tourism in this Province which had prevailed for a number of years prior to the recession. In particular, the last five or six years have witnessed increasing numbers of non-resident travellers as well as an increasing number of Newfoundland residents travelling within their own province. Part of the growth in the tourism industry in the last five or six years has stemmed from major improvements and additions to the number of tourist facilities and attractions, some of which are highlighted in the map on the previous page. Tourism related capital projects carried out in the period from 1987 to 1991 alone generated an estimated total investment in excess of $100 million. The result of these expenditures is that today there are more accommodation and food service establishments, and more commercial tourist attractions in Newfoundland and Labrador than ever before.

Private sector expenditures on tourism developments last year alone are estimated at between $25 million to $30 million. Notable additions to tourism infrastructure included the opening of the Journey's End Hotel in St. John's and the St. Jude's Hotel in Clarenville. As well, several mid-sized operations located in rural areas of Newfoundland and Labrador also opened their doors last year.

The construction of St. Christopher's Resort (see map on previous page) included the completion of the existing Twin Rivers Golf Course. The course was expanded from a nine-hole to an eighteen-hole facility, making this a premiere destination for golfers. Golf course development projects made significant advancement in the Province during 1991, with nine new courses either in the planning or the construction stage. Two nine-hole courses are presently under construction, one in Frenchman's Cove on the Burin Peninsula and another in Deer Lake, while an eighteen-hole course in Whiteway is near completion of the planning stage. The Whiteway golf course will service the Trinity-Conception Peninsula in addition to serving as a regional tourist attraction. The Pippy Park golf course in St. John's is presently undergoing an expansion to eighteen holes and courses in other communities are also being considered for expansion. As well, six new golf courses are being proposed at this time. It is estimated that the courses presently under construction will generate capital costs of approximately $8.8 million.

In addition to these private sector initiatives, the public sector has contributed significant amounts of funding to develop the infrastructure necessary to attract tourists and to properly service their needs. Public sector initiatives will continue in 1992 with the start-up or continuation of several projects.

General improvements to the Trans-Canada Highway under the *"Roads for Rails"* co-operative agreement should greatly benefit tourism. As well, paving of the access highways to Burgeo and Roddickton will continue, and this should open up these areas to tourist traffic for the first time. A highway link between Cape St. George and Mainland on the Port au Port Peninsula on the West Coast of the Island will be started in 1992; once completed, this will create a touring loop that should considerably enhance the attractiveness of this area to tourists.

The Provincial Government completed a major upgrading of its tourist information centre in Port aux Basques during 1991; Port aux Basques is the main vehicular entry point into the Province (see map on previous page). This $250,000 project also included major improvements to the interpretation exhibits. A new $800,000 interpretation centre is presently under construction in Argentia, the Province's second vehicular gateway, to replace a locally operated centre which proved incapable of meeting the demand generated by the new Marine Atlantic ferry *MV Joseph and Clara Smallwood*. The Argentia interpretation centre is expected to become operational in time for the 1992 summer tourist season. An extension and major upgrading of the Deer Lake visitor information centre to meet the demands created by travel to the Great Northern Peninsula will be completed in 1992; this project is budgeted at $300,000. The Government is presently exploring the feasibility of establishing a new visitor information centre in Labrador City, which has recently become a gateway to Labrador with the highway link to Baie Comeau, Quebec. The completion of the Trans-Labrador Highway in 1992 is expected to make an information centre in Labrador City that much more imperative.

A community operated tourist chalet opened in Stephenville during 1991. This $250,000 facility was subsidized by the Provincial Government and replaces a smaller tourist centre. As well, the City of St. John's inaugurated a visitor reception area at the airport during 1991. The City of Gander also undertook a small expansion of its chalet on the Trans-Canada Highway.

The Provincial Government signed the $20 million Canada-Newfoundland Cooperation Agreement on Tourism and Historic Resources in May of 1991. The Agreement calls for improvements to the Province's major historic and natural attractions (see map on previous page). Over the next four years, this agreement will facilitate improvements to historic sites in Trinity (Trinity Bay), Bonavista, St. John's and Grand Bank. The Agreement will also permit the creation of two new sites, a Beothuck interpretation centre at Boyd's Cove in Notre Dame Bay and an early European settlement interpretation centre in Ferryland on the Avalon Peninsula. As well, the Agreement provides for the development of an interpretation centre at the world renowned seabird sanctuary in Cape St. Mary's and for improvements to the museum and lighthouse in L'Anse Amour, Labrador. It will allow for major improvements to the Barachois Pond and Fitzgerald's Pond Provincial Parks and community museums will also benefit from a $700,000 program under the Agreement.

The Marble Mountain ski facility on the West coast of the Island near Corner Brook will also benefit from expenditures under the Federal-Provincial Agreement. Construction work has already begun on the relocation of hydroelectric power lines which feed the Corner Brook newsprint mill to free up land for commercial development; this $3.6 million project is expected to be completed in the fall of 1992. Expressions of interest have been distributed to investors to invite them to look into the potential of developing the site as a four-season resort; this effort will continue in 1992.

Contributed by:

Michael Clair
Tourism & Promotions Branch
Department of Development

proper skiing conditions until the last week of January. In spite of the poor skiing conditions at the start of the season the number of out-of-province skiers visiting the facility did not change significantly in 1991. The decrease in skier visits was due solely to a decrease in local skiers visiting the facility.

In comparison to Marble Mountain, the White Hills Ski Resort reported 43,000 skier visits in 1991, a 65 percent increase over 1990 levels. One reason given for the increase was the extension of their operating season from approximately 75 days in 1990 to 90 days in 1991. In addition, this facility is relatively new and is still in a growth cycle common to new facilities of this type. Tourist visits to both Marble Mountain and the White Hills generate revenues for local service industries (e.g., hotels, gas stations, cabins, restaurants, etc.) during the skiing season. These skiing facilities are becoming important contributors to the tourism industry.

The outfitting sector of the Province's tourism industry is comprised of 122 licensed hunting and fishing camp operators who operate approximately 175 camps and lodges throughout the Province during the various hunting and fishing seasons. On the Island part of the Province moose, caribou and bear hunting, as well as salmon and brook trout fishing, forms the basis of the industry. In Labrador the industry revolves around salmon, trout and northern pike fishing. This sector of the tourism industry is one of the largest per tourist revenue generators and contributes some $8 to $10 million annually to the Provincial economy. In addition, this sector generates $500,000 in license fees annually for the Provincial Government and provides in excess of 700 seasonal jobs in rural areas of the Province.

The outfitting industry has demonstrated dramatic growth in recent years as exemplified by the increase of 22 percent in the sale of big game licenses to this sector in 1991. This type of tourist activity also has tremendous potential for future expansion into non-consumptive wilderness adventure outfitting in such areas as nature viewing and winter adventure holidays.

The Provincial Government signed the Canada/Newfoundland Cooperation Agreement on Tourism and Historic Resources in May 1991. This agreement is cost-shared 70/30 between the Federal and Provincial Governments respectively and will result in an infusion of $20 million to further develop the Province's tourism potential over the next four years. Projects to be undertaken during the life of the agreement include continued financial support in the form of operational grants to tourism associations, the development of theme touring routes, training workshops for people employed in the tourism industry, development of the Cape St. Mary's Seabird Sanctuary, upgrading work on several Provincial Parks and development work on a number of historic resources. A more detailed discussion of tourism investment in 1991 is provided in the box entitled *A Note on Capital Projects in the Tourism Industry*. These infrastructure improvements will potentially attract visitors to the Province, creating more business and will help to meet the demands of these travellers.

Newfoundland and Labrador joined the Maritime provinces in signing another cost-shared Federal/Provincial tourism agreement in July 1991. The $10 million Canada/Atlantic Provinces Cooperation Agreement on International Tourism Marketing is cost-shared 60/40 with the Federal Government contributing $6 million and the Governments of the four Atlantic Provinces contributing the remaining $4 million. The focus of the agreement is on developing American, European and Japanese tourism markets for Atlantic Canada. Over the next three years $9.4 million will be spent on a marketing program to create and reinforce a better international image for Atlantic Canada, with 70 percent of the marketing funds being spent in the United States.

Over the years the Federal Government has also provided support to the Province's tourism industry through the Atlantic Canada Opportunities Agency (ACOA). Since June 1987 ACOA has contributed $46 million in grants and loan insurances through its *Action Program* and since April 1990 it has contributed an additional $5 million to the tourism industry through its *Fisheries Adjustment Program*. Contributions made under the *Fisheries Adjustment Program* were given to operators offering employment alternatives for people previously employed in the fishing industry.

In addition to the projects covered under the initiatives mentioned above, a number of projects were also undertaken in 1991 under the five-year, $4 million tourism component of the Comprehensive Labrador Agreement. Outside of these major agreements and programs it is estimated that private-sector tourism investment amounted to about $25 or $30 million in 1991. Most notably were the opening of the Journey's End Hotel in St. John's and the St. Jude's Hotel in Clarenville.

One good indicator of future activity in the Province's tourism industry is the number of information inquiries made to the Tourism Branch of the Department of Development. These inquiries are categorized into four main types: written, telephone inquiries via either the toll-free 1-800 or the St. John's area number, walk-in requests and inquiries made at

the office of South Eastern Advertising (S.E.A.) in New Bedford, Massachusetts, a tourism information company jointly hired by the governments of Newfoundland and Labrador and the other Atlantic provinces (see Table 10). S.E.A. is sent a bulk shipment of tourist information packages from the Tourism Branch of the Department of Development. The company then mails these information packages to anyone inquiring at its office concerning Newfoundland and Labrador. In general, the bulk of all the information inquiries are written and toll-free telephone inquiries which emanate from outside the Province. The total number of information inquiries to the Province grew by 41,178 during 1991, up by 30 percent from 1990. Written inquiries were the largest contributor to the total growth, with this area experiencing a 63 percent increase from the previous year. This increase in written inquiries is a reflection of the growing interest in Newfoundland and Labrador as a travel destination for non-resident tourists, and can be partially attributed to increased marketing efforts by the Provincial Government.

Table 10

TOURIST INFORMATION INQUIRIES NEWFOUNDLAND AND LABRADOR 1990 AND 1991

	1990	1991	Percent Change
Written	46,695	76,125	63.0
Telephone Inquiries			
1-800 Number	49,279	58,489	18.7
576-2830	6,487	7,504	15.7
Walk in Requests	903	174	-80.7
Inquiries at S.E.A.	32,303	34,553	7.0
Total Inquiries	**135,667**	**176,845**	**30.4**

Source: Visitor Services Division, Department of Development; Economic Research and Analysis Division, Cabinet Secretariat.

Tourism related advertising expenditures by the Tourism and Promotions Branch of the Provincial Department of Development remained unchanged from 1990 levels during 1991. Total expenditures in such areas as magazine, newspaper and television ads were approximately $1.57 million. The majority of these ads were directed at the United States market; 53 percent of the $1.57 million marketing budget was spent on advertising in the U.S. An additional 39 percent of the budget was spent in other parts of Canada while the remaining 8 percent was spent in Newfoundland and Labrador. Marketing efforts were concentrated on promoting the natural, historical and cultural aspects of Newfoundland and Labrador.

With the end of the Persian Gulf crisis and ongoing Middle East Peace talks, there will be less international uncertainty for travellers in 1992. This is expected to increase overall world travel including travel in Canada. As the North American economy improves throughout 1992, so will disposable incomes resulting in increased vacations and business trips throughout the Country. In its annual fall outlook the Canadian Tourism Research Institute (C.T.R.I.), a division of the Conference Board of Canada, predicts a 2.7 percent increase in domestic pleasure trips in Canada during 1992 and a 5.2 percent increase in tourist expenditures. These forecasts, however, may be somewhat optimistic since they were made in October 1991 when general economic conditions in Canada and the United States were looking much better than they did in early 1992.

With initiatives such as Agent Sell '92, which was a five-day promotion by 60 Atlantic Canada tour operators and representatives during January 1992 at the Vaals Resort in Southern Holland, and expected improvements in the National economy, non-resident tourist activity in Newfoundland and Labrador is expected to experience a modest recovery in 1992. Improvement in this sector of the tourism industry will offset an expected decline in resident tourist activity associated with a continued downturn in the Provincial economy. A $250,000 resident consumer advertising campaign "Ours to Discover" using television, radio and newspaper will be launched by the Provincial Government in 1992. This campaign is designed to encourage Newfoundlanders and Labradorians to travel more within the Province. This may mitigate some of the negative effects of forecast economic conditions on resident tourist activity. The Newfoundland and Labrador tourism industry as a whole, however, is expected to experience about the same level of activity in 1992 as last year.

The Canadian Tourism Research Institute's forecast for the Provincial tourism industry is somewhat more optimistic, and is predicting a 2.1 percent increase in domestic pleasure trips and a five percent increase in tourist expenditures in the Province during 1992. Like the forecasts for the National tourism industry, however, these forecasts by C.T.R.I. are overly optimistic given the economic climate at the time they were made versus the current economic climate. Any optimism about the Provincial tourism industry for 1992 must be tempered against the reality of a continuing recession in the local economy combined with increasing competition for national and international tourists from Eastern European countries which are now becoming open to Western

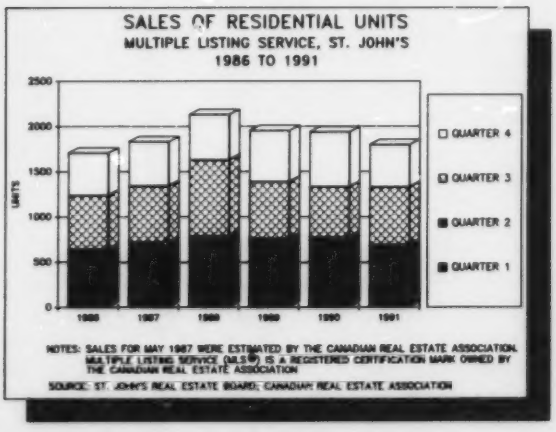
tourists. Travel from the United States is also expected to be slow due to the weakness of the economic recovery there and the high value of the Canadian dollar.

On a brighter note, both Marble Mountain and the White Hills are expecting an increase in skier visits during the 1992 ski season. As well, modest growth is expected in non-resident tourist activity during 1992. The latter is attributed to a recovery in the national economy, improved and expanded infrastructure, and aggressive marketing efforts by the Provincial Government. Continued commitment to tourism development in the Province was evident by the various tourism agreements signed during 1991. Spending under these agreements and the resulting infrastructure developments combined with private sector investment will also contribute to the Province's tourism industry in the upcoming year. These factors will help offset the expected decline in resident tourist activity during 1992 leaving the total level of activity about the same as last year.

Real Estate Market

Sales activity in the residential real estate market in the St. John's/Mount Pearl area (the largest real estate market in the Province) was lower in 1991 than in the previous year. The number of existing homes sold, as measured by the St. John's Multiple Listing Service (MLS®), totalled 1,799, down 7.2 percent from 1990. The overall value of sales, however, only fell by 4.9 percent to $163.9 million as price increases during the year partially offset the decline in the number of homes sold. The average sale price, which does not distinguish between home styles, was $91,123 in 1991, an increase of 2.5 percent from the previous year. This annual increase largely reflected the strong price gains recorded between July and October of 1991 (see Table 11).

Diagram 20



Performance in the real estate market varied throughout the year. On a quarterly basis, sales activity declined in three out of four quarters last year. The number of homes sold in the first two quarters of 1991 was substantially below sales during the same period in the previous year as indicated in Diagram 20. The losses recorded in the first half were offset in the third quarter when home sales rose by 14 percent. This resurgence in activity was short-lived, however, as sales dropped by about 23 percent in the final quarter of the year.

There were no major changes in the distribution, by price category, of home sales in the St. John's market last year. Sales of homes priced in the range which usually encompasses move-up buyers ($100,000 and over) comprised 36 percent of sales, about the same as 1990. Houses priced below $90,000, which are typically purchased by first-time buyers, accounted for 53 percent of sales. The remaining group of sales, homes which sold for between $90,000 and $100,000, accounted for 11 percent of activity.

Buyers' market in the St. John's area in 1991

There was an increase in the number of homes offered for sale in St. John's during 1991 as the number of new residential listings recorded on the MLS advanced by 6.5 percent to 5,306 houses. Although the number of home sales declined, the number of homes listed with the service each month rose to average 1,070; this compared to 926 in 1990. Figures at the end of November and December indicated that the oversupply of homes may have eased somewhat in late 1991 as listings for these months were lower than those recorded for the same months in 1990. This could be an indication that sluggish sales activity may have prompted some sellers to remove their homes from the market until conditions improved. Industry analysts believe that the oversupply of homes available in the market throughout most of 1991, together with slumping sales, resulted in a buyers' market throughout much of the year.

The level of activity in the resale housing market is an important determinant of new home construction. Many individuals building a new home are move-up buyers who sell their existing homes and use the equity to help defray the cost of building a new home. When the resale market is weak move-up buyers have difficulty selling their existing houses and this hinders activity in the new home construction industry. Poor markets for existing homes was one of

Glossary of Housing Types

Detached Bungalow

A detached, three-bedroom single storey home with 1½ bathrooms and a one-car garage. It has a full basement but no recreation room, fireplace or appliances. Using outside dimensions (excluding garage), the total area of the house is 111 sq. metres (1,200 sq. ft.) and it is situated on a full-serviced, 511 sq. metre (5,500 sq. ft.) lot. Depending on the area, the construction style may be brick, wood, siding, or stucco.

Executive Detached Two-Storey

A detached two-storey, four-bedroom home with 2½ bathrooms, a main floor family room, one fireplace, and an attached two-car garage. There is a full basement but no recreation room or appliances. Using the exterior dimensions (excluding garage), the total area of the house is 186 sq. metres (2,000 sq. ft.), and it is situated on a fully-serviced, 604 sq. metres (6,500 sq. ft.) lot. Depending on the area, the construction style may be brick, wood, aluminum siding, stucco, or a combination like brick and siding.

Standard Two-Storey

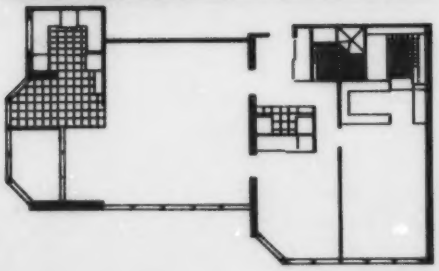
A three-bedroom, two-storey home with a detached garage. It has a full basement but no recreation room. Using outside dimensions, the total area of the house is 139 sq. metres (1,500 sq. ft.) and it is situated on a fully-serviced, city-sized lot of approximately 325 sq. metres (3,500 sq. ft.). The house may be detached or semi-detached and construction style may be brick, wood, siding, or stucco.

Standard Townhouse

Either condominium or freehold, the townhouse (rowhouse) has three bedrooms, a living room and dining room (possibly combined) and a kitchen. Also included are 1½ bathrooms, standard broadloom, a one-car garage, a full unfinished basement and two appliances. Total inside area is 92 sq. metres (1,000 sq. ft.). Depending on the area, the construction may be brick, wood, siding or stucco.

Senior Executive

A two-storey, four or five bedroom home with three bathrooms, main floor family room plus atrium or library. Two fireplaces, a full unfinished basement and an attached two-car garage. The house is 279+ sq. metres (3,000+ sq. ft.) and is situated on a fully serviced 627 sq. metre (6,750 sq. ft.) lot. Construction may be brick, stucco, siding, or in combination.



Standard Condominium Apartment

A two-bedroom apartment comprising a living room, a dining room (possibly combined) and a kitchen, in a high-rise building with an inside floor area of 84 sq. metres (900 sq. ft.). Amenities include standard broadloom, 1½ bathrooms, 2 appliances, a small balcony and 1 underground parking space. Common area includes a pool and some minor recreational facilities.

Luxury Condominium Apartment

A two-bedroom apartment comprising a living room, a dining room (possibly combined), and a kitchen, with a family room or den, in a high-rise building with an inside floor area of 130 sq. metres (1,400 sq. ft.). Amenities include upgraded broadloom, 2 full bathrooms, ensuite laundry and storage areas, 5 appliances, a large balcony and 1 underground parking space. Common area includes a pool, sauna and other major recreational facilities.

Table 11

HOUSE PRICES

House Type	Selling Price October 1990	Selling Price October 1991	Percent Change October 1990 to October 1991	Percent Change October 1990 to January 1991	Percent Change January 1991 to April 1991	Percent Change April 1991 to July 1991	Percent Change July 1991 to October 1991
Standard Townhouse							
St. John's - East End	63,500	66,500	+4.7	+0.5	-1.7	+0.2	+5.9
St. John's - West End	64,300	66,500	+3.4	+0.2	+0.3	+0.3	+2.6
Mount Pearl	64,500	70,500	+9.3	-0.2	-1.7	+1.4	+9.8
Corner Brook	52,080	50,000	-4.0	-4.0	0.0	0.0	0.0
Detached Bungalow							
St. John's - East End	103,400	108,000	+4.4	-0.1	-1.7	+0.7	+5.7
St. John's - West End	98,100	102,900	+4.9	0.0	-0.8	+0.7	+5.0
Mount Pearl	96,200	99,100	+3.0	-0.8	-0.9	+0.8	+4.0
Corner Brook	93,100	90,000	-3.3	-3.3	0.0	0.0	0.0
Standard Condominium Apt.							
St. John's - East End	104,800	110,100	+5.1	+4.5	-4.7	-0.5	+6.0
Standard Two-Storey							
St. John's - East End	129,300	138,000	+6.7	-0.2	-0.2	+1.3	+5.7
St. John's - West End	125,300	130,000	+3.8	-0.4	-1.8	+1.2	+4.8
Mount Pearl	123,300	128,200	+4.0	-0.2	-1.3	+0.5	+5.0
Corner Brook	90,250	88,000	-2.5	-2.5	0.0	0.0	0.0
Executive Detached Two-Storey							
St. John's - East End	155,800	161,800	+3.9	+0.3	-1.1	+0.6	+4.0
St. John's - West End	148,800	155,000	+4.2	-0.5	-0.8	+1.0	+4.5
Mount Pearl	140,100	148,500	+6.0	+0.6	-0.6	+0.9	+4.9
Corner Brook	125,500	115,000	-8.4	-8.4	0.0	0.0	0.0
Luxury Condominium Apt.							
St. John's - East End	167,300	180,000	+7.6	+0.2	-2.3	+2.7	+7.0
Senior Executive							
Corner Brook	213,900	185,000	-13.5	-13.5	0.0	0.0	0.0

Notes: All properties have been considered as being free of debt. Percentage calculations for October to January, January to April, April to July and July to October are based upon rounded data.

The *Glossary of Housing Types* contained on the next page was provided by Royal LePage Real Estate Services Ltd. Publication of house price information for the St. John's and Mount Pearl areas for the Senior Executive home, illustrated in the *Glossary*, only began in October 1991.

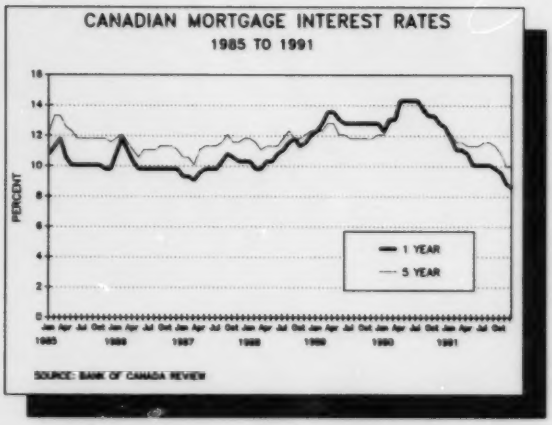
Source: *Royal LePage Survey of Canadian House Prices*; Economic Research and Analysis Division, Cabinet Secretariat.

the factors behind the 22.7 percent decline in housing starts in the St. John's Metropolitan area in 1991.

Mortgage interest rates last year were the lowest recorded since 1973

Mortgage interest rates were favourable to home buyers during 1991. Interest rates have been falling since the summer of 1990 when they peaked at 14.25 percent as Diagram 21 indicates. At the end of December last year one and five year contracts stood at 8.50 and 9.90 percent respectively, the lowest mortgage rates since 1973. Lower interest rates increase home affordability and this creates a favourable environment for real estate investment. The positive impact of lower interest rates last year, however, was offset by the economic uncertainty created by the recession.

Diagram 21



Despite the fact that there were fewer sales and an oversupply of homes in 1991, house prices edged upward. Table 11 outlines the movement of prices over the one year period ending in October 1991 for seven different types of houses. As the table indicates, prices in the St. John's area were relatively stable throughout the first half of 1991. This was probably a reflection of the poor market conditions which prevailed at that time. Prices strengthened considerably between July and October, a fact that is consistent with the 14 percent increase in home sales in the third quarter. It was this growth in prices over the summer months that caused prices in October 1991 for all home models to be about five percent higher, on average, than in October 1990.

Table 11 also contains house price information for the Corner Brook real estate market. According to the table, house prices fell, on average, by about 8.1 percent during the one year period ending in October 1991. This decline, however, was the result of a drop in prices which occurred between October 1990 and January 1991. During the remaining period covered in the table (January to October 1991), the prices for all house types remained unchanged. Unfortunately, further information concerning the Corner Brook market, such as the number of homes sold, was not available at the time of writing but may be included in future publications.

The performance of the St. John's residential real estate market is expected to improve somewhat in 1992. Factors contributing to this positive outlook include lower interest rates and the recent initiatives undertaken by the Federal Government for stimulating housing markets across the Country (see *Construction*). These factors will be major contributors to the moderate growth in home sales forecast for 1992.

Transportation

The performance of the Province's transportation industry was mixed in 1991. Passenger travel and the number of passenger related vehicles on the Marine Atlantic ferries between North Sydney and the Province remained relatively unchanged while the number of passengers on the Canadian National Roadcruiser buses declined. The number of commercial vehicles and containers carrying freight on the Marine Atlantic ferries increased while the total amount of water-borne cargo moving in and out of the ports in St. John's and Corner Brook decreased.

The number of people travelling on the Marine Atlantic ferry service between North Sydney and the Province during 1991 was down slightly from the previous year (see Table 12). The number of passenger related vehicles, however, was up somewhat from 1990. In light of the fact that the level of tourist activity in the Province declined in 1991 (see *Tourism*), these changes are quite moderate and may be attributed, at least in part, to Marine Atlantic's aggressive campaign to promote its services. Marine Atlantic operates two ferry services to the Province, one between North Sydney and Port aux Basques, and another service between North Sydney and Argentia. While all ferries ran mechanically well for 1991, the MV *Joseph and Clara Smallwood* was taken out of service for approximately six weeks in late winter of last year in order to undergo modifications for the installation of a 200 seat lounge to address seating concerns. No disruptions in ferry service were experienced, however, since the MV *Sir Robert Bond* and the MV *Marine Evangeline* took turns making the crossings. The number of passengers utilizing the

ferry between North Sydney and Port aux Basques remained relatively unchanged from the previous year while the number of passenger related vehicles increased by 1.6 percent. The number of passengers travelling on the ferry service between North Sydney and Argentia, however, declined by 7.7 percent; as well, the number of passenger related vehicles declined by seven percent. This may reflect the fact that the Argentia service is more costly than the Port aux Basques service and this, in the midst of a recession, may have served as an incentive for travellers who might otherwise use the Argentia ferry to avail of the Port aux Basques run and drive across the Island.

TABLE 12

MARINE ATLANTIC ACTIVITY
PORT AUX BASQUES AND ARGENTIA
1990 AND 1991

	1990	1991	Percent Change
Port aux Basques - North Sydney			
Passengers	362,350	363,672	0.4
Passenger Related Vehicles	111,984	113,756	1.6
Commercial Vehicles	56,138	58,315	3.9
Containers	5,033	7,161	42.3
Argentia - North Sydney			
Passengers	44,486	41,074	-7.7
Passenger Related Vehicles	15,267	14,195	-7.0
Commercial Vehicles	398	757	90.2
Containers	138	571	313.8
Total			
Passengers	406,836	404,746	-0.5
Passenger Related Vehicles	127,251	127,951	0.6
Commercial Vehicles	56,536	59,072	4.5
Containers	5,171	7,732	49.5

Notes: Figures include traffic travelling in both directions on the Port aux Basques-North Sydney and Argentia-North Sydney ferry services.

Source: Marine Atlantic; Economic Research and Analysis Division, Cabinet Secretariat.

In other passenger service, the number of persons using the Canadian National Roadcruiser bus service dropped by 10.4 percent to 125,993. This represented the continuation of a downward trend which began in 1984. Factors contributing to this decline include the increased availability of retail services in smaller centres which has diminished the need for some residents of the Province to travel. There has also been a general reduction in the reliance upon the bus service as a mode of travel.

Freight movement on the two Marine Atlantic ferries increased during 1991. The total number of commercial vehicles, consisting of trucks and trailers which carry freight to and from the Province, increased by 4.5 percent from 1990. The number of drop trailers carrying freight increased by 21 percent and was sufficient to offset losses in straight trucks, tractor trailers and other commercial vehicles. The number of commercial vehicles carrying freight on the North Sydney/Port aux Basques route increased by 3.9 percent while commercial traffic on the North Sydney/Argentia route nearly doubled. The substantial increase in activity on the Argentia route can be partially attributed to both an increase in awareness of the route and activity relating to the Hibernia development. Container traffic on both the Port aux Basques and Argentia routes increased substantially in 1991, resulting in an overall increase of 49.5 percent in the number of containers carrying freight to and from the Province.

Approximately 947,115 tonnes of freight passed through the St. John's port during 1991, a decrease of 9.4 percent from the previous year. Dry bulk and general cargo shipments both declined by 24.7 and 13.6 percent respectively while liquid bulk shipments remained the same. Lower dry bulk shipments were the result of a decline in fish and salt shipments while the drop in general cargo shipments was due to fewer containers, autos and other general cargo being shipped.

The total amount of water-borne cargo moving in and out of the port of Corner Brook declined by 13.9 percent during 1991, down to 717,623 tonnes. This reduction was due to lower shipments of fuels and gasoline, cement, asbestos, containerized freight, fish products and new automobiles. Higher shipments, however, were recorded for uncontainerized newsprint and salt.

Activity in the Province's transportation industry is not expected to increase in 1992. Resource constraints in the fishing industry will reduce fish processing and this will impact upon the transport of fish products. The retail sector is expected to remain weak and this will affect the amount of goods being transported into and within the Province. There are, however, some positive factors for the industry in 1992. Marine Atlantic plans to continue its aggressive promotional campaign to attract users for its services. As well, the Argentia service will be in operation for 22 weeks again this year. Activity associated with the Hibernia project, even though work on the project has been slowed down, will also generate demand for transportation services.

Labour Markets

Employment in Newfoundland fell by 4,000 to total 197,000 on an annual average basis in 1991 marking the first time in eight years that the level of employment actually declined. Last year's 2.0 percent employment decline was associated with a national recession, as were the declines of 3.4 percent in 1982 and 0.6 percent in 1983. Unlike the employment declines associated with the 1981/82 recession, however, all of the employment declines in 1991 were *part-year* in nature (see the box discussion on the following page), reflecting the supply-side crisis in the Province's fishing industry; *full-year* employment actually rose slightly in 1991.

The distinction between *full-year* and *part-year* employment rests on the length of time a person has been continuously employed. In other words, *full-year* employment refers to employment which lasted for at least the 12 full months of any given year. Throughout the decade of the 1980s *full-year* employment declined as a share of total employment while the reliance on *part-year* employment increased significantly; as a consequence, the decade of the 1980s was also characterized by a growing dependency on Unemployment Insurance benefits.

Diagram 22

FULL-YEAR AND PART-YEAR EMPLOYMENT
AS A PERCENT OF TOTAL EMPLOYMENT
NEWFOUNDLAND AND LABRADOR
1980 TO 1991
PERCENT OF TOTAL
PART-YEAR AS A % OF TOTAL
FULL-YEAR AS A % OF TOTAL
SOURCE: STATISTICS CANADA CATALOGUES 71-529, 71-001 AND 71-220;
ECONOMIC RESEARCH AND ANALYSIS DIVISION, CABINET SECRETARIAT

Between 1980 and 1989, *part-year* employment rose by nearly 30 percent, from 56,000 to 72,000 person-years; over that same period, an increase of only 4.9 percent was recorded in *full-year* employment. The impact of these trends on the composition of employment is demonstrated in Diagram 22 which shows that *part-year* employment gradually rose from 31.5 percent of total employment in 1980 to 36 percent by 1989. As discussed in the box below, one person-year of *part-year* employment is made up of several people working for only part of the year. The number of people among which one person-year of employment is shared depends on the duration of *part-year* employment; the shorter the duration, the larger the number of workers which make up one person-year. Most of the increase in *part-year* employment throughout the 1980s occurred in short duration employment.

The Statistics Canada *Labour Force Survey* provides estimates of *part-year* employment for three duration categories; these are 1-3 months, 4-6 months, and 7-12 months. Employment in the 7-12 month category actually declined throughout most of the 1980s, though it was unchanged in absolute terms by the end of the decade. There was some modest growth in employment in the 4-6 month duration category, however, the published statistics indicate that the sharpest rise in *part-year* employment during the 1980s was recorded in the 1-3 month category.

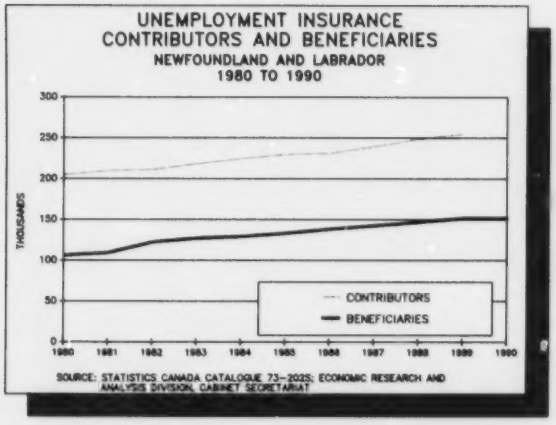
Diagram 23

EMPLOYMENT 1-3 MONTHS AS A PERCENT
OF TOTAL PART-YEAR EMPLOYMENT
NEWFOUNDLAND AND LABRADOR
1980 TO 1989
PERCENT OF TOTAL
SOURCE: STATISTICS CANADA CATALOGUES 71-529 AND 71-001; ECONOMIC
RESEARCH AND ANALYSIS DIVISION, CABINET SECRETARIAT

This category of employment accounted for 44.6 percent of *part-year* employment in 1980, however, by 1989 it comprised 54.2 percent of *part-year* employment (see Diagram 23). Most of the growth (nearly 90 percent) in *part-year* employment throughout the 1980s occurred in the 1-3 month category, and in fact growth in this category of employment accounted for nearly two-thirds of growth in total employment. In absolute terms, short duration employment (i.e., 1-3 months) rose by 56 percent from 25,000 person-years in 1980 to 39,000 in 1989. While some of this increase might have been caused by people changing jobs and thus moving into that category from longer duration categories of employment, the increase in dependency on UI benefits, and the increasingly shorter employment periods with which people qualified for UI benefits throughout the 1980s suggest that job changes were not a large contributor to growth in the 1-3 month employment category.

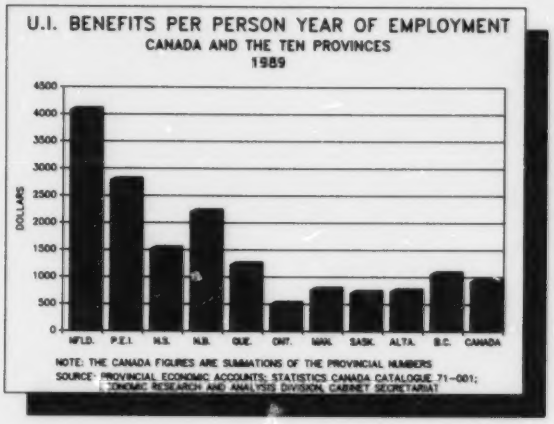
The impact that the increase in *part-year* employment had on UI dependency is demonstrated in Diagram 24. The diagram shows that the number of different workers in the Province who contributed premiums to the UI program rose from 202,630 people in 1980 to 253,820 in 1989; this represented an increase of more than 25 percent, or some 51,190 additional contributors. Over the same period, the number of people who received UI benefits increased by more than 45 percent, from 103,807 in 1980 to 150,777 in 1989. This represented an increase of nearly 47,000 in the number of workers who received UI, and it brought the total number of UI beneficiaries to more than 25 percent of the Province's entire population. Most of the increase in the number of contributors to the UI program over the 1980s, a majority of whom were women, translated into an increase in the number of beneficiaries, a fact which is consistent with the employment tenure statistics. In 1980, some 51.2 percent of all UI contributors in Newfoundland and Labrador actually received UI benefits whereas by 1989 this figure had risen to nearly 60 percent.

Diagram 24



The dependency of Newfoundland workers on the UI program is greater than in any other province, a fact which makes Newfoundland workers much more vulnerable to changes in the UI program. Diagram 25 shows that, on average, each person-year of employment in the Province during 1989 generated $4,070 from the UI program, the highest in the Country and more than four times the national figure. Generally, dependency is higher in the Atlantic provinces, as the diagram shows, though dependency in the Maritime provinces is not nearly so high as in Newfoundland. The lowest dependency in 1989 occurred in Ontario where each person-year of employment generated an average of $496 in UI benefits, only about 12 percent of the amount in Newfoundland.

Diagram 25



It is the province of Ontario which has, in the past, generated the surplus contributions to the UI program that have funded net-UI benefits to many other Canadian provinces. For example, in 1989 the province of Ontario contributed about $1.8 billion more to the UI program than it received in UI benefits whereas the Atlantic region received about $1.4 billion more in benefits than it paid in contributions. While complete statistics were not available for 1991 at the time of writing, preliminary information suggests that, because of the impact that the recession has had on the Ontario labour market, UI benefits in Ontario may have come close to, and possibly have been higher than, UI contributions last year in spite of large increases in UI contribution rates. Total UI benefits paid out in Ontario during the first ten months of 1991 (about $4.6 billion) were more than double the amount paid out in the same period in 1989 (about $2.1 billion). The number of Ontario workers contributing to the UI program also fell during that period as indicated by the fact that monthly average employment in Ontario during the first ten months of 1991 was about 173,000 lower, or 3.5 percent lower, than in the same period during 1989.

Diagram 26 shows that in 1989 Newfoundlanders received $5.35 on average in benefits for each one dollar contributed to the UI program. Again, this is much higher than any other province in the Country and compares with only $0.58 in Ontario for each dollar of contributions in 1989. The degree of dependency varies within Newfoundland and Labrador, both by region and by industry. Taxpayers in some regions of the Province rely on UI benefits for as much as 60-70 percent of their income in a given year. On an industry basis, some estimates put the benefit/contribution ratio in the Province's fishing industry at about $14.00, nearly triple the benefit/contribution ratio of $5.35 for the Province as a whole.

A Note to Interpreting Full-Year/Part-Year Data from the Labour Force Survey

Most analysis of current labour market activity relies on data from the Statistics Canada *Labour Force Survey (LFS)* because of its timely availability. This survey is conducted monthly and provides a 'snapshot' at year end of average labour market characteristics, such as the monthly average level of employment during the year. In other words, the *LFS* measures employment in person years, which can be thought of as a measure of *labour effort*. A person year consists of twelve months of employment and may consist of one person working twelve months (i.e., full-year) during the year, two people each working six months (i.e., part-year), and so on. In any given year, however, the total number of different people participating in the labour force is obscured in the averaging process. This is particularly the case for persons in the labour market only part of the year.

In addition to the monthly *LFS* on which annual average statistics are based, Statistics Canada conducts a *Labour Market Activity Survey (LMAS)*. This survey, which is conducted once a year but is released with a lag of about two years, attempts to capture labour market activity in terms of the actual number of people, rather than the average number of people, who participated in the labour force and were either employed or unemployed (or both) for some period of time during the year. The *LMAS* does not necessarily provide a picture of total *labour effort* in a given year which is different from that given by the *LFS*. It does, however, provide a more informative picture of how that effort is met, particularly in a seasonal economy in which part-year employment figures prominently.

Tables I and II provide labour market data for 1988 from both the *LFS* and the *LMAS* for comparison purposes. Table I shows, for example, that the monthly average size of the labour force in 1988 was 231,000 according to the *LFS*. In that same year, however, some 285,000 different people participated in the labour force for some period of time according to the *LMAS*, about 23% higher than the average size of the labour force. The number of people employed at some time during the year (277,000) was about 44% higher than average employment primarily because the *LFS* averaging process obscures the full extent of part-year employment and unemployment. The number of different people unemployed was nearly triple the average number unemployed.

Table II provides full-year and part-year employment from both the *LFS* and the *LMAS*. This table shows that when data from the *LMAS* is used in the analysis, the picture of full-year and part-year employment changes significantly. Part-year employment accounted for 70,000 person years of total employment in 1988. This 70,000 *person years* of employment was, however, made up by some 143,000 workers who were employed for only part of the year. Some 29% of those employed part-year worked for 13 weeks or less and some 62% worked for 26 weeks or less. The *LMAS* results for 1988 (the most recent year for which LMAS data is available) show that fully 52% of those persons who were employed during 1988 were employed for only part of the year; this compares with 36% based on the *LFS*. The large number of people working only part-year in the Province is clearly obscured by the averaging process used in the *LFS*.

Table I: Labour Market Indicators, 1988

Indicator	LFS	LMAS
Labour Force	231,000	285,000
Employment	193,000	277,000
Unemployment	38,000	95,000

Table II: Full-Year and Part-Year Employment

Source	Full-Year	Part-Year	Total
Labour Force Survey (1)	124,000	70,000	193,000
Percent of Total	(64%)	(36%)	(100%)
Labour Market Activity Survey (2)	133,000	143,000	277,000
Percent of Total	(48%)	(52%)	(100%)

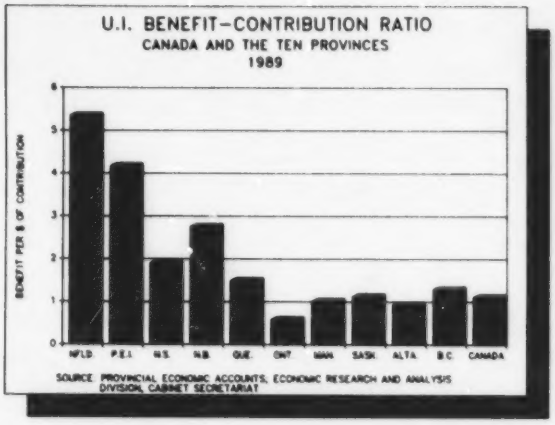
(1) Full-Year includes only persons who had worked for 13 consecutive months or more.
(2) Full-Year includes persons who worked for 49 weeks or more during the year.

Note: Components may not add to total due to independent rounding.

Source: Statistics Canada; Economic Research and Analysis Division, Cabinet Secretariat.

For further information on, and discussion of, the differences between *LFS* and *LMAS* data, readers are referred to "*THE ECONOMY 1987, Special Report: Labour Market Dynamics*".

Diagram 26



The trend towards growth in *part-year* employment has moderated in the past couple of years. Growth was recorded in *full-year* employment in both 1990 and 1991, 3.9 percent and 0.8 percent in each year respectively, while *part-year* employment fell in both of these years (-6.9 percent and -6.0 percent respectively). The result, as Diagram 22 showed, was a decline in the share of total employment accounted for by *part-year* employment and an increase in the share accounted for by *full-year* employment. These results partly reflect the 1990/91 national recession which began in the second quarter of 1990 and the crisis in the Province's fishing industry which probably has affected the *part-year* category of employment.

The 1991 decline in *part-year* employment was not met with a decline in dependency on UI as might be expected. There are several possible explanations for this result. Firstly, it is likely that UI claims opened in the previous year were kept open and active longer into 1991 than they normally would be because of the difficulties in the fishery. If this was the case, it would have pushed up the annual average number of UI recipients. Secondly, the composition of employment within each tenure category may have been altered by the recession and the crisis in the fishery. Finally, an eleven month delay in passing UI legislation governing regionally extended benefits in 1990, and the resultant longer qualifying period of employment, may have kept the monthly average number of UI recipients artificially low in that year, thus affecting the year-over-year change between 1990 and 1991.

Labour markets throughout the Country were negatively affected by the recession in 1991, as Diagrams 27 and 28 show. Newfoundland and Labrador labour markets were no exception. While construction activity related to the development of Hibernia provided a positive stimulus to Newfoundland labour markets in 1991, the effects of the recession were compounded by the fact that this Province also had to contend with the impacts on labour markets of fish quota reductions in the offshore fishing sector and the virtual failure of the inshore fishery.

Diagram 27

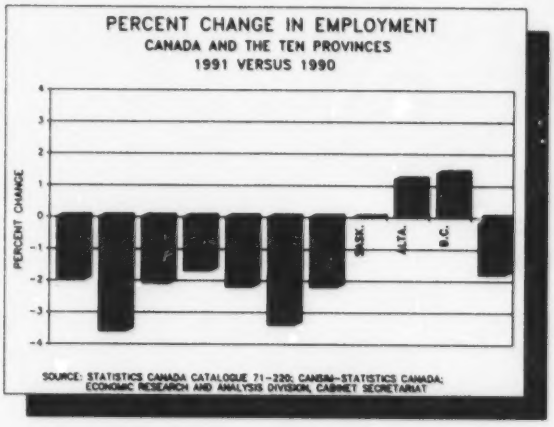
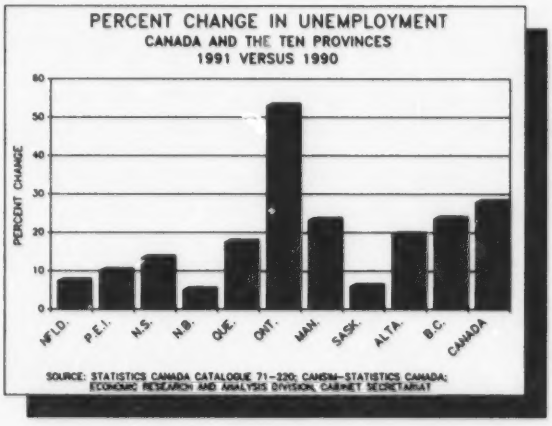


Diagram 28



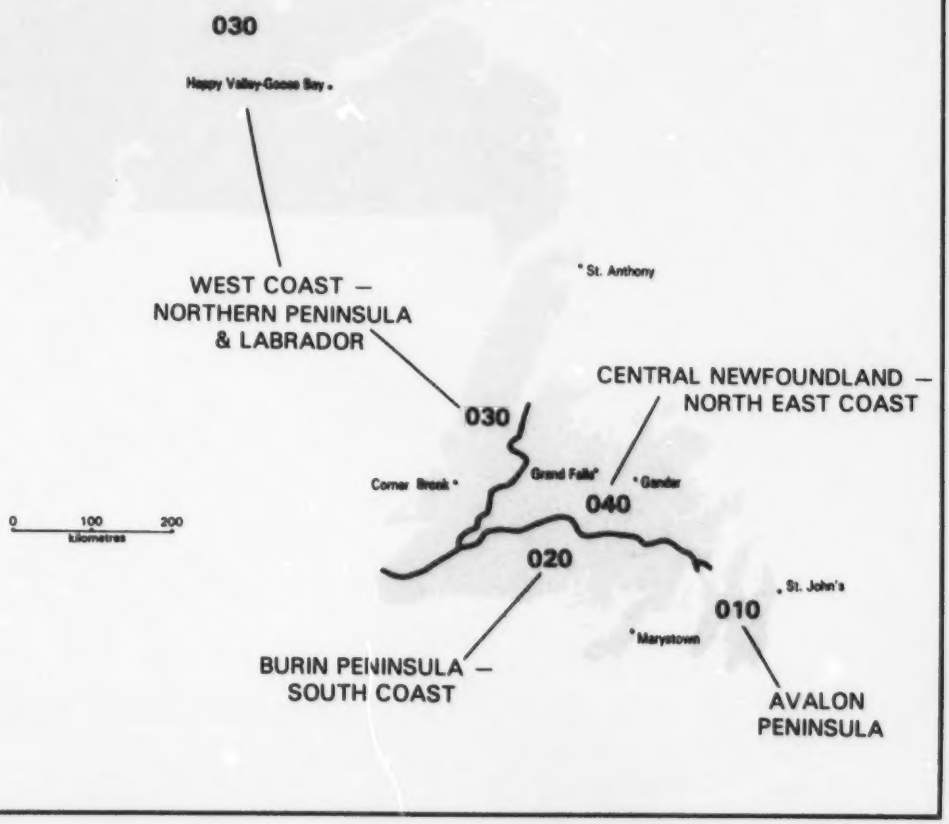
Newfoundland was one of seven provinces in the Country to record a decline in the monthly average level of employment in 1991 (see Diagram 27). The employment decline in Newfoundland was, however, close to the decline at the national level and smaller than in five of the other provinces. The monthly average number of workers unemployed rose in all ten Canadian provinces. While Newfoundland workers were hard hit by rising unemployment in 1991, Diagram 28 shows that many provinces experienced larger increases in the number of unemployed than did Newfoundland. Diagrams 27 and 28 show that labour markets in Newfoundland and Labrador were somewhat more resilient than national labour markets throughout 1991.

Map 8

Labour Force by Economic Region in Newfoundland and Labrador 1991 Annual Average ('000)

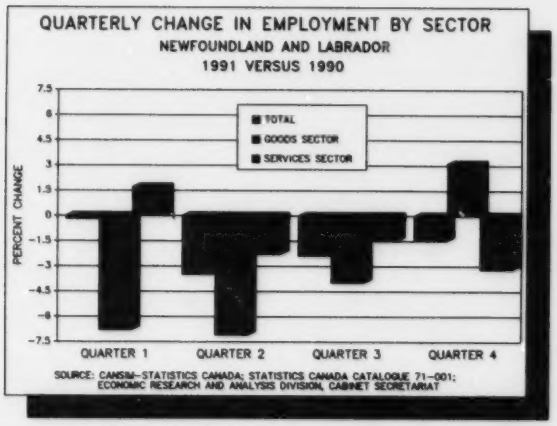
	Labour Force	Population Labour Force Age
Region 010	114	192
Region 020	21	41
Region 030	53	97
Region 040	53	106

Source: Statistics Canada catalogue 71-220.



Monthly employment in Newfoundland and Labrador averaged approximately 197,000 in 1991, down by about 2.0 percent from an estimated 201,000 in 1990. Employment in the Province declined in each quarter of 1991 as was the case in Canada. Unlike Canada, however, the employment decline was very slight in the first quarter, and the heaviest employment losses in this Province were concentrated in the second and third quarters of the year reflecting the crisis in the fishing industry. Even with the crisis in the fisheries, Diagram 27 shows that employment in Newfoundland was not as severely affected by the recession as was employment in Ontario. The employment declines in Ontario exceeded those in Newfoundland in every quarter of 1991.

Diagram 29

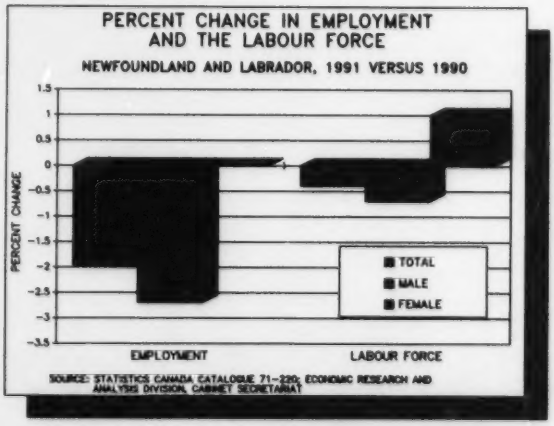


In the goods producing sector, most 1991 employment losses occurred in the *Manufacturing* industry, an industry which is dominated by employment in fish processing particularly during the spring and summer months when the inshore fishery is usually in full swing. In the service sector, first quarter gains in the *Transportation, Communication and Other Utilities*, in the *Community, Business and Personal Services*, and in the *Public Administration* industries more than offset losses in the *Trade* and the *Finance, Insurance and Real Estate* industries. In the second and third quarters, however, employment declined in just about all of the service sector industries thus compounding the employment losses in the goods producing sector. Higher employment in the *Construction* and *Manufacturing* components of the goods producing sector in the fourth quarter more than offset lower *Primary* industry employment. In the service sector, gains in the *Trade* and *Finance, Insurance and Real Estate* industries were not strong enough to offset losses in the remaining industries. The net result was that at year end, employment in the goods producing sector was down by 2,000 or 3.7 percent in 1991 and employment in the service producing sector was also down by 2,000 or 1.4 percent.

The number of workers unemployed averaged about 44,000 in 1991, up by about 7.3 percent from 1990; this compares with an increase of nearly 28 percent at the national level and more than 50 percent in Ontario. The increase in the average number of workers unemployed in Newfoundland was due to lower levels of employment since the monthly average size of the labour force was essentially unchanged in 1991. Nearly all of the increased unemployment was accounted for by increased numbers of male workers unemployed.

Male workers in the Province were much harder hit in 1991 than female workers as Diagram 30 shows. The monthly average level of employment for females was virtually unchanged in 1991 whereas average employment for male workers declined by about 3,000 or 2.7 percent. The unemployment rate for females averaged 17.7 percent in 1991, up by 0.7 percentage points from 1990. The increase was, however, due almost entirely to growth in the female labour force. In the case of male workers, the unemployment rate averaged 18.9 percent, well above the female unemployment rate, and up by 1.8 percentage points from 1990. While the male unemployment rate was high in 1991, it was two percentage points below the rate of 20.9 percent recorded in 1985. The 1991 increase in the male unemployment rate resulted entirely from the decline in employment, in fact, a decline in the size of the male labour force prevented an even higher increase in the male unemployment rate.

Diagram 30



Weaker labour market activity was evident throughout all regions of the Province during 1991, particularly during the second and third quarters. Employment declined in all regions during these two

quarters of the year, consistent with performance at the aggregate Provincial level. In general, rural parts of the Province were hard hit by the crisis in the fishery. The impacts of the fishery crisis, however, are not confined to rural communities but rather spill over into urban areas which serve as major service centres for all parts of the Province.

Labour market conditions in the Province are not expected to improve in 1992. Markets for newsprint are expected to be weak throughout much of the year, and the rationalization which is taking place in this industry, as well as in the mining industry, will continue to affect labour markets during 1992. Fish landings are expected to decline during the year and this is expected to affect employment in manufacturing, which is dominated by fish processing, again this year. The Hibernia project is the major bright spot in the Province's economy. Project employment will increase over 1991 average levels so that the project will have a positive impact on labour markets this year despite the slowdown in both the progress of the work and the level of planned expenditures. The stimulus from the Hibernia project, together with the anticipated increase in housing starts should allow the construction industry to hold its own this year. Growth in direct and indirect employment related to Hibernia will not, however, be sufficient to offset anticipated declines in other areas. The net result is that employment is expected to decline by about 6,000 this year and the unemployment rate is expected to rise by about two percentage points.

Summary Review and Outlook

The past year marked the second year of recession in the Provincial economy. The recession which began in the Province's economy in 1990 extended into 1991 as producers continued to face deteriorated market conditions internationally, a high valued Canadian dollar and fish resource constraints. Housing starts, new motor vehicle sales and consumer expenditures in general declined even though interest rates fell throughout most of the year. Both employment and GDP declined in most Provincial industries. On the employment side, the only exception to this was the *Construction* industry which benefitted from the ongoing work related to the Hibernia offshore oilfield development. The Hibernia project may also have contributed to stability in the *Transportation, Communication and Other Utilities* industry in the face of a decline in shipments of fish products and a real decline in the value of retail trade. The deteriorated performance of the offshore fishing sector, which was inescapable because of continued fish quota reductions, was compounded last year by the poor performance of the inshore fishing sector. Overall, total employment fell by 4,000 or 2.0 percent last year: down 2,000 in the goods producing sector and 2,000 in the service producing sector.

The outlook for the Province in the near term is for a continued decline in the aggregate level of economic activity. This will negatively affect both employment and GDP. GDP is expected to decline by about 0.5 percent in 1992 while employment is expected to fall by about 6,000 person-years. In the goods producing sector, 1992 will be a difficult year for just about all industries, however, there are some bright spots although the positives will not be sufficient to offset negatives elsewhere.

Quotas for the important Northern Cod stock have recently been reduced to 120,000 tonnes compared to landings of about 127,000 tonnes last year; the heaviest impact of this policy initiative is expected to fall on the offshore sector of the *Fishing* industry. On the other hand, quotas for most other fish stocks on which the Province relies have remained unchanged; there is some room for improved landings in the Gulf Region of the Province; and expectations are that we will be able to meet the demand for female capelin this year. As well, to the extent that the labour intensive inshore fishery is able to increase its landings over last year when it caught less than 65 percent of its 115,000 inshore allowance, then this would provide a boost to employment and incomes. It is also expected that a compensation package may be put in place for fishermen and fish plant workers as the year unfolds to mitigate the income effects of any declines in total landings. Furthermore, markets and prices for most fish products are expected to remain strong in 1992 and the Canadian dollar is expected to be slightly lower on average than it was last year.

The outlook for the *Forest* industry is also clouded. The main market weakness for newsprint products in the past year or so has been in the United States, the world's largest newsprint market. While the Province does not depend heavily on that market, it is nevertheless an important one since, because of its size, it can affect prices in other markets as well. While the United States newsprint market is expected to be weak during the first half of 1992 due to that Country's slow economic recovery, there is some expectation that both prices and demand may improve in the second half of the year as the recovery begins to strengthen. Advertising expenditures during the Olympic Games and the United States Presidential nominations may also boost newsprint demand. Any price gains that result from an improved market situation will combine with the expected decline in the value of the Canadian dollar against its United States counterpart to provide a much needed boost to producers' revenues. Nevertheless, output in the

Province's newsprint industry is expected to decline somewhat this year, some layoffs have already taken place in the Province's primary logging and newsprint industries, and some paper machine downtime for this year has been announced by one of the Province's paper mills. The sawlog harvesting and sawmill components of the forest industry, on the other hand, are expected to turn in an improved performance this year as housing starts get a slight boost from lower interest rates and two Federal Government initiatives designed to stimulate home building activity throughout the Country. In addition, expenditures on forest management activities are expected to remain stable or improve slightly.

The real value of *Manufacturing* output is expected to decline somewhat in 1992 as the difficulties in the fishing and forest industries spill over into this industry. Fish products and newsprint production make a sizeable contribution to the total value of manufacturing output in the Province. Real personal income is expected to decrease this year and this could negatively affect demand for other, non-export oriented manufactured products.

The *Mining* industry will be negatively impacted this year by the layoffs and expected output reductions in the iron ore industry which accounts for more than 90 percent of the value of mineral production in the Province. There are, however, some positive factors in this industry as well. There is a possibility that the Hope Brook Gold mine may reopen and that a new gold mine may be developed on the Baie Verte Peninsula. In addition, asbestos production is expected to show considerable improvement in 1992.

The Hibernia project will provide a boost to the Province's economy this year. Project expenditures and employment levels are forecast to increase over 1991 average levels so that the project is expected to have a positive impact on the Province's economy this year despite the slowdown in both the progress of the work and the level of planned expenditures. The level of offshore exploration is expected to be stable this year as well. Expenditures on the Hibernia project together with the anticipated increase in housing starts should allow the *Construction* industry to hold its own this year.

In the service sector, growth in the government component will continue to be constrained in 1992. This, together with difficulties in the goods producing sector, is expected to constrain growth in the non-government component of the service producing sector as well in 1992. A mild rebound is, however, expected in the non-resident component of the *Tourism* industry and this will benefit several service sector industries. Other positive factors in the outlook include lower interest rates and inflation, a depreciation of the Canadian dollar and the mildly stimulative Federal Budget.

Appendix 1

AN INVENTORY OF MAJOR PROJECTS

NEWFOUNDLAND and LABRADOR

Appendix 1

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Apartment Buildings	Various Locations	7.6	1992	Various apartment structures will be constructed under the Private Non-Profit Housing Program of the Newfoundland and Labrador Housing Corporation.
Aquatic Facility	Stephenville	2.8	1992/1993	The facility will consist of a 25 metre pool featuring six lanes to facilitate local and regional swimming needs. As well, the facility will contain a tiny-tot pool, play areas, change rooms and a small lobby area. 55% Provincial, 45% Municipal funds.
Arena Complex	Harbour Breton	1.8	1992/1993	The facility will be used for hockey, figure skating, recreational skating and spectator ice events. In the summertime, the facility will be used for large community and regional events, other sporting events, concerts and other recreational uses. 80% Provincial, 20% Municipal funds.
Arena Complex	Mount Pearl	5.0	1991/1992	A 50,000 square foot arena complex, with the capacity to seat 1,100, will be constructed. The two-level complex will consist of ice surface and complementary accessories, canteens, offices and lobby. Municipal funds.
Arena Complex	Port aux Choix	1.8	1992/1993	The facility will be used for hockey, figure skating, broomball and curling in the winter months and other sporting events, concerts and festivals during the summer months. Also, it will include a daycare centre, canteen, offices, boardroom and a fitness/weight room. 80% Provincial, 20% Municipal funds.
Arena Complex	Wesleyville	1.9	1992/1993	Various uses of the facility will include hockey, figure skating, recreational skating, broomball and spectator ice events. In the summertime, the facility will be used for large community and regional events, other sporting events, concerts and other recreational uses. 80% Provincial, 20% Municipal funds.
Bridge	Mary's Harbour - Lodge Bay	2.5	1990/1992	This project involves the construction of a bridge across the Charles River. Funding for this project is provided under the Comprehensive Labrador Development Agreement. 70% Federal, 30% Provincial funds.
Bridges and Causeways	Various Locations	3.3	1992/1993	Various projects. Provincial funds.
Canada/Newfoundland Cooperation Agreement on Tourism and Historic Resources	Various Locations	20.0	1991/1995	Under this agreement, historic sites in Trinity, Bonavista, St. John's and Grand Bank will undergo improvements. New sites will also be developed including a Beothuck interpretation centre in Notre Dame Bay and an early European settlement interpretation centre in Ferryland. As well, the Agreement provides for the development of an interpretation centre at the seabird sanctuary in Cape St. Mary's and for improvements to the museum and lighthouse in L'Anse Amour, Labrador. Also, it will allow for major improvements to the Barachois Pond and Fitzgerald's Pond Provincial Parks. Community museums will also benefit from a $700,000 program under the Agreement. 70% Federal, 30% Provincial funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Canada/Newfoundland Subsidiary Agreement on Highway Transportation Development	Various Locations	291.0	1985/1992	The original Agreement, signed under the umbrella Economic and Regional Development Agreement (ERDA), was valued at $180.0 million. Through various amendments, the Agreement is now valued at $291.0 million. Available funding will be used for upgrading the Trans-Canada Highway as well as regional trunk and access roads, and for work on the Trans-Labrador Highway. 63.1% Federal, 36.9% Provincial funds.
Canadian Centre for Marine Communications	St. John's	10.1	1989/1994	The Canadian Centre for Marine Communications is located at the Newfoundland and Labrador Institute of Fisheries and Marine Technology, and supports industry with the development of commercial applications of marine technology. The centre is being funded by the Atlantic Canada Opportunities Agency (ACOA) ($7.5 million), the Federal Department of Communications ($1.5 million) and the Marine Institute ($1.1 million).
Canadian Forces Base - Maintenance	Goose Bay	127.6	1991/1994	Funding includes $10 million per year for routine maintenance in support of the Department of National Defense and allied operations at Goose Bay; $5 million per year to maintain the Fuel Farm. Also, expenditures include routine maintenance totalling $17.7 million in fiscal year 1991/92; $32.7 million in 1992/93 and $32.2 million in 1993/94.
Centre for Engineering Technology	St. John's	10.0	1991/1993	A 6,500 square metre building is being constructed by the Marine Institute to support offshore related engineering, project management and computer technology programs. Funding for the project is provided under the Canada/Newfoundland Offshore Development Fund. 75% Federal, 25% Provincial funds.
Church/School Complex	Grand Falls - Windsor	3.0	1992/1993	The Windsor Pentecostal Assembly will construct a 41,000 square foot facility which will include a church sanctuary and elementary school. In addition, the proposed building will house church and school administrative offices.
Community Health Centre	Burgeo	8.0	1991/1992	Provincial funds.
Community Health Centre	Port Saunders	8.0	1991/1992	Provincial funds.
Confederation Building - East Block Renovations	St. John's	34.0	1986/1993	Figures include renovations to existing offices and a new House of Assembly. The House of Assembly has been completed. As of February 1992, approximately 85% of the funds had been spent. Provincial funds.
Corner Brook East Urban Renewal	Corner Brook	6.2	1991/1995	This project will involve street access and reconstruction, including the provision of curbs, gutters and storm water control measures aimed at a general rehabilitation of Corner Brook East. Funding for this project will be provided under of the Canada/Newfoundland Cooperation Agreement on Environmental Improvement and will be cost-shared between the Federal, Provincial and Municipal levels of government.
Courthouse	Gander	3.4	1990/1992	A 20,000 square foot courthouse is being built in Gander. Provincial funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Dr. Charles A. Janeway Child Health Centre - Renovations	St. John's	3.5	1990/1993	Renovations by the Dr. Charles A. Janeway Child Health Centre are underway to redesign the layout of six nursing units. The objective of the renovations is to provide more space for isolation areas and a family care centre. Hospital funds.
Enhancement of Offshore Fabrication Capabilities	Marystown - Cow Head	40.0	1990/1992	A sum of $40.0 million has been approved under the Canada/Newfoundland Offshore Development Fund for an offshore fabrication enhancement program at Marystown Shipyard Limited's Oil Rig Repair Facility at Cow Head, Mortier Bay. Specifically, the program is comprised of three activities, including management training; engineering and design of new facilities; and construction of new facilities. 75% Federal, 25% Provincial funds.
Exon House - Renovations	St. John's	2.7	1991/1992	Renovations will involve the conversion of present facilities at Exon House into Government office space. Provincial funds.
Exploits Valley Mall - Expansion	Grand Falls - Windsor	2.5	1992/1993	Expansion will consist of approximately 25,000 square feet of retail space. Private funds.
Fish Processing Plant - Modernization Program	Valleyfield	5.2	1989/1993	Beothic Fish Processors Limited will make structural changes to the plant and purchase $2.4 million of machinery and equipment to modernize the facility. Approximately 40% of the work has been completed. The project will receive a $2.6 million contribution from ACOA.
Fisher Institute - Expansion	Corner Brook	8.4	1990/1992	An extension of 15,000 square metres will provide space for new technology and existing programs. The new extension will have 11 classrooms, a library and 17 laboratories. Approximately 95% of the funding has been spent. Provincial funds.
Forest Protection Centre	North West River, Labrador	1.2	1992/1993	The Centre will be constructed from funding provided under the Comprehensive Labrador Development Agreement. 70% Federal, 30% Provincial funds.
Gander International Airport - Replacement of Curtain Walls	Gander	3.9	1988/1992	Approximately 945 linear metres of curtain/panel wall will be replaced. This project is scheduled for completion by October 1992.
Golf Course	Deer Lake	1.2	1991/1994	A nine-hole golf course is presently under construction. Private funds.
Golf Course	Grande Meadows, Frenchman's Cove	1.4	1991/1994	A nine-hole golf course is presently under construction. Private funds.
Grace General Hospital- Renovations and Expansion	St. John's	1.0	1992	This project involves the renovation of obstetrics and gynecology wards and the expansion of operating and recovery rooms. Provincial funds.
Health Care Centre - Extension	Forteau, Labrador	1.1	1992/1993	This project involves a 4,790 square foot extension to the existing centre. $600,000 will be spent in 1992 and $500,000 in 1993. Provincial funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Health Care Centre - Renovations	Baie Verte	1.6	1992	This project involves the renovation and upgrading of the existing building for the conversion to long-term care. Provincial funds.
Health Sciences Centre - Extension	St. John's	8.8	1992/1994	Extension will consist of approximately 47,500 square feet. Funding provided by the Provincial Government (83%) and the Newfoundland Cancer Treatment and Research Foundation (17%).
Hibernia Offshore Oil Field Development	Various Locations	8,500.0	1990/2014	Expenditures listed for this development include the construction and installation of production and storage facilities, subsea equipment, shuttle tankers and development drilling. The cost breakdown is as follows: pre-production construction phase $5.2 billion (extending from 1990/1997); production phase $3.3 billion (extending from 1997/2014). The principal construction site in the Province is Great Mosquito Cove in Bull Arm, Trinity Bay. Major activities which will be carried out there will include graving dock construction, Gravity Base Structure (GBS) construction, module assembly and hook-up and other fabrication and construction activities. The Government of Canada will contribute 25 percent of the pre-production capital costs to a maximum of $1.04 billion and guarantee loans for 40 percent of the consortium's costs to a maximum of $1.66 billion. The Government of Newfoundland and Labrador will provide a sales tax exemption on project capital expenditures and will reduce retail sales tax to four percent on the project's operating costs. As well, the effective rate of Provincial corporate tax payable on taxable income earned in respect of operations in the offshore area will be reduced to a rate equal to the national average of all Provincial corporate income tax rates.
Highway Improvements and Construction	Various Locations	11.8	1992/1993	A variety of projects undertaken by the Province. Provincial funds.
Hotel	Stephenville	3.4	1991/1992	A 42,000 square foot hotel will be constructed by Toulon Development Corporation. The hotel will contain 48 rooms, recreation facilities and a convention centre. This project will receive a $1.1 million contribution from ACOA.
Industrial Infrastructure Planning	Various locations	1.3	1987/1993	Pre-engineering and design work related to Hibernia and other oil and gas on-land development sites. Funding provided under the Canada/Newfoundland Offshore Development Fund. 75% Federal, 25% Provincial funds.
Labrador Airport Programs	Labrador Communities	1.5	1984/1993	General restoration work. Federal funds.
Labrador Community College Campus - Residence/ Daycare Centre	Happy Valley - Goose Bay	1.3	1992/1993	Construction will consist of a 875 square metre complex. Funds provided under the Comprehensive Labrador Development Agreement. 70% Federal, 30% Provincial funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Marine Service Centre Program	Various locations	17.0	1988/1992	Since its inception about three years ago, the program has provided for the construction of four marine service centres. As well, several marine service centres have benefited through the acquisition of heavy equipment or other upgrading activities. The two final marine service centres are now being upgraded for completion this year. Funded under the Newfoundland Inshore Fisheries Development Agreement (NIFDA). 55% Federal and 45% Provincial funds.
Medical Clinic	Hopedale	2.0	1990/1992	A clinic consisting of approximately 1,850 square metres is under construction. Funding for this project is provided under the Comprehensive Labrador Development Agreement which is cost-shared 70% Federal and 30% Provincial.
Memorial University of Newfoundland - Small Animal Care - Biotechnology Building	St. John's	5.0	1991/1992	The three level facility will have 20,000 square feet of floor space. Provincial and University funds.
Mill Improvement Projects	Stephenville	5.6	1990/1992	Abitibi-Price Stephenville will make capital expenditures at the mill that will render environmental improvements and increase mill efficiency. The following projects have been completed: (1) installation of a new underdrive, $1.1 million; (2) effluent treatment, $1.1 million; (3) miscellaneous small projects, $1.8 million. For 1991, the Company spent $0.6 million for miscellaneous small projects. For 1992, proposed budget expenditure includes $1.0 million for cost control measures and miscellaneous small projects.
Newfoundland and Labrador Housing Corporation - Housing and Development	Various Locations	68.8	1992/1993	These expenditures relate to the Corporation's capital expenditure activities of which many programs are cost-shared on a 75/25 Federal/Provincial basis with NLHC's Federal counterpart Canada Mortgage and Housing Corporation (CMHC). The budget includes spending for the Rural and Native Housing Program, the Non-Profit Housing Program, the Residential Rehabilitation Assistance Program (RRAP), Residential Land Assemblies, Industrial Land Development, modernization of the Corporation's rental portfolio, and construction of housing for clients with special needs.
Newfoundland and Labrador Hydro - Capital Expenditures	Various locations	34.7	1992	Includes transmission and system expenditures.
Newfoundland and Labrador Institute of Fisheries and Marine Technology - Marine Offshore Simulator Training Centre	St. John's	12.0	1987/1993	The centre will include a full-mission ship's bridge simulator as well as a ballast control simulator. Funding for the project is provided under the Canada/Newfoundland Offshore Development Fund. 75% Federal, 25% Provincial funds.
Newfoundland and Labrador Youth Centre	Whitbourne	11.2	1988/1992	The centre will be constructed in two phases. Phase I includes the construction of an administrative building and housing facilities for 30 youths. Phase II consists of the construction of housing facilities for an additional 30 youths. Provincial funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Newfoundland Power - Capital Expenditures	Various Locations	73.3	1992	Includes upgrading of transmission and distribution systems and improvements to computer systems. Capital projects help ensure that customers will have a reliable supply of electricity in the future.
Newfoundland Telephone - Capital Expenditure Program	Various locations	95.0	1992	Expenditures are slated for a number of exchange and radio locations, providing the telephone sets, outside plant cable, exchange and circuit equipment for local and long distance calling throughout the Province. Expenditures will also provide for the modernization of the telephone network and the introduction of new business and residence services. Approximately 80% will be spent on machinery, equipment and supplier engineering and installation. The remaining 20% will be spent on engineering and installation provided by Newfoundland Telephone.
Newfoundland Transportation Initiative	Various Locations	648.1	1989/2003	The Newfoundland Transportation Initiative was developed in response to the closure of the Newfoundland Railway. Expenditures designed to upgrade and improve the Province's transportation infrastructure include the following: (1) $405 million to be spent between 1990 and 2003 on a major upgrading of the Trans-Canada Highway; (2) $235 million on regional trunk roads over the period 1991-2003; and (3) $8.1 million for port improvements to St. John's and Argentia. Projected expenditure in 1992/1993 is $52.0 million. Federal funds.
Nursing Home/Clinic	St. Lawrence	8.0	1991/1993	Provincial funds.
Offshore Survival Centre	Little Soldiers Pond, Foxtrap	6.3	1987/1993	This project includes the development of a fire ground and complex, with firefighting and offshore training facilities. Funding for the project is provided under the Canada/Newfoundland Offshore Development Fund. 75% Federal, 25% Provincial funds.
Operations Building	Cape Race	2.5	1991/1992	The Canadian Coast Guard is constructing a 770 square metre building to accommodate modern Loran-C equipment and maintenance staff. Federal funds.
Paper Mill - Upgrading Facilities for Pollution Control	Corner Brook	40.0	1989/1992	The Corner Brook Pulp and Paper Mill will install a new bark burning boiler and carry out certain other environmental measures in order to meet Federal and Provincial anti-pollution requirements. Approximately 75% of the estimated capital cost will be spent on machinery and equipment. Private funds.
Petroleum Technology Training Program	Various locations	11.1	1987/1993	Upgrading and/or establishment of Provincial post-secondary technology training facilities and programs related to the offshore petroleum industry. Funding for the project is provided under the Canada/Newfoundland Offshore Development Fund. 75% Federal, 25% Provincial funds.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Placentia Breakwater Project	Placentia	3.5	1991/1994	This project is being undertaken as a flood control measure and will include the raising of a steel sheet-pile breastwork along Riverside Drive, the construction of an earth-fill dyke along Swan Arm, and extension of the wave wall along the beach-front. Funding for this project will be provided as part of the Canada/Newfoundland Cooperation Agreement on Environmental Improvement and will be cost-shared between the Federal, Provincial and Municipal levels of government.
Processing Plant	Burgoynes Cove	8.3	1992	Newfoundland Slate Inc. is constructing a 35,000 square foot processing plant. The plant will be used for slate roofing tiles in the transformation from the raw state to a finished product. Project will receive a $3.2 million contribution from ACOA.
Pulp and Paper Mill - Paper Machine Conversion	Corner Brook	19.5	1990/1993	Corner Brook Pulp and Paper Ltd. will convert the No. 4 paper machine to produce specialty grade papers, including light weights and telephone directory paper. An integral part of this is the installation of a recycling facility in order to satisfy the needs of the customers in the marketplace. The addition of recycling facilities will stabilize the employment levels of the mill by helping to maintain a viable operation. The Company will invest a total of $19.5 million and ACOA will provide assistance, by way of interest buy-downs, to a maximum of $4.5 million.
Quidi Vidi/Rennies River Development	St. John's	7.0	1985/1995	The implementation of the Quidi Vidi/Rennies River Development Foundation's ten year Development Plan continues on schedule. Construction of the Newfoundland Freshwater Resource Centre was completed in 1990. Linear Park development, including wildlife habitat enhancement along Rennies River, is 90% complete and around Quidi Vidi Lake is 35% complete. Plans also include a well-defined training program that includes construction and horticultural skills. Future work includes completion of the trail, including lighting, around Quidi Vidi Lake and installation of a sign system, as well as historical site restoration at Quidi Vidi Pass Battery. At the Newfoundland Freshwater Resource Centre, future work will include the installation of a coffee shop and gift shop to enhance visitor services, as well as meeting facilities. On the second level of the centre, further exhibits will be installed. Federal, Provincial and Municipal funds, as well as corporate and private fundraising.
Road and Bridge Rehabilitation	Various Locations	10.5	1992/1993	Various projects. Provincial funds.
Road Upgrading System	Port Hope Simpson	1.1	1992/1993	This project will involve the upgrading of existing roads with funding provided under the Comprehensive Labrador Development Agreement. 70% Federal, 30% Provincial.

Appendix 1 (cont'd.)

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Royal Canadian Mounted Police - Capital Construction Program	Various Locations	2.3	1992/1993	These expenditures pertain to the RCMP construction program in the Province for this fiscal year. A large proportion of these expenditures will be spent on the detachment and married quarters at Happy Valley-Goose Bay. The remaining expenditures will be spent on various detachments throughout the Province. These estimates do not include the construction of a new headquarters building in St. John's. This project is listed below.
Royal Canadian Mounted Police - New Headquarters Building	St. John's	27.0	1990/1993	The building will contain approximately 14,000 square metres of space. Federal funds.
Samaritan Place	Gander	30.0	1991/1993	Complex is being designed for retired couples and will be dedicated to the memory of the 101st Airbourne Division of the United States Army. The complex will contain 210 apartments, a 50 bed convalescent care unit and sports facilities. The project will have four stages, each costing $5 million each. Phase one will begin this spring. The remaining $10 million is expected to be used for miscellaneous expenses. Funded by Gander-Masonic Memorial Complex Inc. and by private fundraising activity.
School Construction	Various Locations	20.0	1992/1993	Provincial funds.
St. John's International Airport - Development of General Aviation Area	St. John's	3.3	1989/1993	These expenditures are for the expansion of the general aviation area including a common-use taxilane, groundside roads, security fencing, stormwater drainage, water distribution and sanitary sewerage and site preparation. Federal funds.
Tourist Information Centres	Various Locations	1.1	1992	A new tourist information centre is under construction in Argentia, while a centre in Deer Lake will undergo major upgrading and an extension. 13% Federal, 87% Provincial funds.
Upgrading of Water Distribution System - Gander International Airport	Gander	1.7	1988/1992	This project includes upgrading of the airport water distribution system to provide an adequate and reliable water supply. It is scheduled for completion by October 1992. Federal funds.
Water and Sewer Disposal Infrastructure	Coastal Labrador	12.8	1992/1993	Expenditures for this project are provided under the Comprehensive Labrador Development Agreement. A total of $12.8 million is allocated to water and sewer projects on the Southern Coast of Labrador for 1992/1993. 70% Federal, 30% Provincial funds.
Water and Sewer Projects	Coastal Labrador	3.4	1992/1993	Proposals for this year include the expenditure of approximately $3.4 million among Inuit communities in Labrador for water and sewer system improvements. Projects are funded through the Inuit Agreements and are cost-shared 63% Federal and 37% Provincial.

Appendix 1

AN INVENTORY OF MAJOR PROJECTS IN NEWFOUNDLAND AND LABRADOR

Project	Location	Estimated Capital Cost ($ Millions)	Start/End Date	Comments
Water Treatment Plant	Central Newfoundland	8.0	1992/1994	A water treatment facility will be constructed to serve the towns of Grand Falls-Windsor and Bishop's Falls. Funding for the project is provided under the Canada/Newfoundland Cooperation Agreement on Environmental Improvement with the total project cost-divided evenly amongst the Provincial, Federal and Municipal Governments.

Appendix 2

STATISTICAL INDICATORS

OF

NEWFOUNDLAND and LABRADOR

TABLE 2.1

GROSS DOMESTIC PRODUCT BY INDUSTRY
NEWFOUNDLAND AND LABRADOR

	1990		1984
	$Millions	Percent of Total	Percent of Total
Primary	**561.0**	**7.2**	**10.1**
Agriculture	24.0	0.3	0.3
Forestry	82.0	1.0	1.3
Mining, Quarries & Oil Wells	250.0	3.2	6.6
Fishing and Trapping	205.0	2.6	1.9
Manufacturing	**695.0**	**8.9**	**8.5**
Fish Products	240.0	3.1	3.7
Pulp and Paper Products	140.0	1.8	1.8
Other Manufactured Products	315.0	4.0	3.0
Construction	630.0	8.0	7.7
Electric Power & Water Utilities	390.0	5.0	6.0
Subtotal: Goods Producing	**2,276.0**	**29.0**	**32.3**
Transportation, Communications & Other Utilities	550.0	7.0	7.2
Trade	980.0	12.5	11.2
Finance, Insurance & Real Estate	1,150.0	14.7	14.4
Community, Business & Personal Services	2,000.0	25.5	23.7
Public Administration	880.0	11.2	11.3
Subtotal: Service Producing	**5,560.0**	**71.0**	**67.7**
TOTAL: ALL INDUSTRIES	**7,836.0**	**100.0**	**100.0**
Residual Error of Estimate*	(133.0)		
TOTAL GDP AT FACTOR COST	**7,969.0**		

Notes: * When GDP is calculated on an industry basis, the total for all industries does not equal total GDP. The difference is known as a residual error of estimate.

A factor cost measure of GDP is used.

Parentheses refer to a negative value.

Source: Statistics Canada; Newfoundland Statistics Agency and Economic Research and Analysis Division, Cabinet Secretariat.

TABLE 2.2

EMPLOYMENT BY INDUSTRY
NEWFOUNDLAND AND LABRADOR

	1990		1984
	Thousands	Percent of Total	Percent of Total
Primary	**19.0**	**9.5**	**9.8**
Agriculture	1.1	0.5	0.6
Forestry	1.4	0.7	1.0
Mining, Quarries & Oil Wells	3.4	1.7	2.2
Fishing & Trapping	11.0	5.5	5.7
Manufacturing	**22.0**	**10.9**	**10.9**
Fish Products	8.2	4.1	4.5
Pulp & Paper Products	2.0	1.0	1.3
Other Manufactured Products	6.1	3.0	2.9
Construction	10.0	5.0	6.3
Subtotal: Goods Producing	**54.0**	**26.9**	**28.7**
Transportation, Communications & Other Utilities	17.0	8.5	10.3
Trade	38.0	18.9	17.2
Finance, Insurance & Real Estate	6.0	3.0	3.4
Community, Business & Personal Services	70.0	34.8	31.6
Public Administration	19.0	9.5	10.3
Subtotal: Service Producing	**147.0**	**73.1**	**71.3**
TOTAL: ALL INDUSTRIES	**201.0**	**100.0**	**100.0**

Notes: Subtotals in the goods and service producing industries will differ from the sum of the industries which are found in each category. This stems partly from the fact that the Other Utilities component of Transportation, Communications & Other Utilities is included under the goods producing sector. In addition, some components of the goods producing industries (i.e., primary and manufacturing) do not add to the subtotal due to different data sources.

Percentages may not add to 100 due to independent rounding.

Source: Statistics Canada; Newfoundland Statistics Agency, Cabinet Secretariat.

TABLE 2.3

SELECTED ECONOMIC INDICATORS NEWFOUNDLAND AND LABRADOR: 1988 - 1992

	1988	1989	1990	1991	1992f
Gross Domestic Product at factor cost					
($ millions)	7,187	7,653	7,969	8,152	8,258
% change	7.9	6.5	4.1	2.3	1.3
Gross Domestic Product at factor cost					
(1986$ millions)	6,529	6,537	6,505	6,472	6,440
% change	3.2	0.1	-0.5	-0.5	-0.5
Personal Income					
($ millions)	7,982	8,562	9,088	9,461	9,612
% change	9.9	7.3	6.1	4.1	1.6
% change - 1986$	7.4	3.4	1.8	-1.9	-0.3
Retail Trade*					
($ millions)	3,077	3,257	3,381	3,426	3,436
% change	11.9	5.8	3.8	1.3	0.3
% change - 1986$	9.0	-0.3	-0.5	-3.0	-1.5
Investment, Capital & Repair					
($ millions)	2,584	2,786	2,723	2,892	3,025
% change	5.6	7.8	-2.3	6.2	4.6
% change - 1986$	2.3	3.4	-2.9	7.2	4.3
Labour Force (000's)					
Annual Average	231	238	242	241	240
% change	3.6	3.0	1.7	-0.4	-0.4
Employment (000's)					
Annual Average	193	201	201	197	191
% change	5.5	4.1	0.0	-2.0	-3.0
Unemployment Rate (%)					
Annual Average	16.4	15.8	17.1	18.4	20.4
Consumer Price Index (1986 = 100)					
Annual Average	105.3	109.2	113.9	120.9	123.1
% change	2.3	3.7	4.3	6.1	1.8
Housing Starts	3,168	3,536	3,245	2,836	2,870
% change	18.1	11.6	-8.2	-12.6	1.2

Notes: In some cases, the percentage change may be calculated using unrounded numbers. Some data is preliminary.

1986$: Denotes a series expressed in real terms using 1986 prices.

f: forecast, Economic Research and Analysis Division

* Retail trade data, prior to 1991, have been lowered by 4.2 percent to remove the estimated Federal Sales Tax in order to make the data more comparable with 1991.

Source: Statistics Canada; Canada Mortgage and Housing Corporation; Newfoundland Statistics Agency and Economic Research and Analysis Division, Cabinet Secretariat.